►On Target

Martin Spring's private newsletter on global strategy

August 30, 2014 No.179

Better Ways to Manage Our Nations

Governments are failing giants.

They gobble up our wealth, controlling half the income of many advanced economies. In the US, government spending expanded from less than 8 per cent of the economy in 1913 to 41 per cent in 2011; in Britain, from 13 to 48 per cent over the same period.

Yet increasingly governments are failing to deliver, to satisfy the people they're supposed to serve. Now only 13 per cent of American voters approve of the politicians who manage their country. In Britain the public is so disenchanted that membership of the main political parties has plunged from 20 per cent of the voting-age population to just 1 per cent. There is an explosion in support for radical groups such as National Front in France.

What's gone wrong?

There are many reasons why governments have become so enormous. In an excellent new book*, John Micklethwait and Adrian Wooldridge, editors at *The Economist*, suggest these:

► Citizens expect the state to do so much more. In the past it did no more than give physical protection and enforce basic rules of behaviour. Now it's expected to provide a vast range of benefits -- health services, education, pensions and financial support.

Things that should only be targeted at the poor, such as free university tuition and healthcare for the elderly, have become middle-class rights, and consequently so bloated countries can no longer afford them.

► All states have been captured by interest groups that require them to deliver benefits that they favour: subsidies, jobs and lavish pensions, tax privileges, protection against competitors, preferential treatment.

Such groups have a huge advantage in democracies. "Narrow constituencies, pursuing goals that matter deeply to them, are much more likely to do the hard work of organizing than broad constituencies pursuing general goals and plagued by free riders who want to enjoy the benefits of political action without incurring the costs," say the writers.

"Almost everywhere in the world, tax codes are riven with subsidies, exemptions and complications that favour the rich," while in the public sector, labour unions "have a great deal of leverage."

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► Governments constantly add to the burden of rules and regulations, steadily inflating costs of administration. In the first decade of this century the US Federal Register of new regulations expanded by an average of 73,000 pages every year.

► And governments do little about scrapping outdated rules or practices derived from them. American schoolchildren still get three months off in the summer so they can help on the farm, as they did in the 19th century, even though today machines do nearly all such work.

► Productivity increases much more slowly in services largely provided by the state, such as schools and hospitals, which by their nature are overwhelmingly labour-intensive, than in capital-intensive industries making things, which are largely private-sector, and where new machinery can deliver major production increases or cost-cutting.

► Progress is fiercely resisted by powerful producer lobbies such as teachers' and doctors' unions at the heart of the welfare state; while fundamental reforms are neglected by politicians whose focus is on personal short-term rewards such as re-election and promotion.

With governments grown so large, and providing so much, you would think their peoples would be delighted. The reality is very different. "Having overloaded the state with their demands, voters are furious that it works so badly," say Micklethwait and Wooldridge. Across many parts of the world, there is a rising tide of political hostility.

Why?

► Explosive growth has brought explosive costs. Because taxes to pay those costs are already so high, it is increasingly difficult for governments to finance costs that inevitably expand, not only because politicians want to spend more, but also because of autonomous factors driving demand for state-provided benefits such as ageing populations.

Even Margaret Thatcher, 11 years in office making radical changes such as privatizing three-quarters of Britain's state-owned companies, only managed to reduce the proportion of the economy going into social spending from 22.9 per cent to 22.2 per cent.

To meet the bloated costs of running a modern state, politicians are increasingly being forced to use covert ways to raise revenue, or introduce dangerous new ways to finance expenditure such as "printing" money.

Gains for powerful minorities, negatives for the many

Usually the public don't know or understand what is going on. But they do become increasingly uneasy as they observe official figures such as seemingly-low inflation not corresponding to their own experience in meeting the bills.

► Every so-called advance in government produces some negative consequences that irritate many, and enrage not a few. Why should government insist that you study for two years to be able to practise as a hairdresser in Florida, or take 300 hours of classes and pass an exam to work in the wig trade in Texas?

The modern state has become a threat to personal liberty when it takes half of everything you produce, uses draconian powers such as the right to read your e-

mails to fight “wars” on terror, speeding motorists and marijuana, and dictates the race and gender of people whom you can employ. “It has begun to become a master rather than a servant.”

Micklethwait and Wooldridge identify three revolutions that have transformed the nature of government.

The first was the development of centralized states in the 16th and 17th centuries that emphasized sovereign power. Europe’s network of states in fierce competition with one another created a system of ever-improving government, pulling ahead of the rest of the world and establishing trading empires.

The second, in the 18th and 19th centuries, emphasized individual liberty. It began with the American and French revolutions, then spread across Europe as reformers replaced regal patronage systems with more meritocratic and accountable government friendly to entrepreneurs.

The third was the invention of the modern welfare state that came to dominate the 20th century.

A transition that began with Thatcher and Reagan

The fourth revolution, the authors suggest, is a reinvention of the state that emphasizes efficiency. Its main characteristics are:

► Application of market forces to administration;

► Development of highly-qualified bureaucratic elites modelled on the managements of the best large private-sector companies;

► Application of productivity-raising technologies; and

► Trimming demand for public services through promoting self-reliance.

The revolution began with Margaret Thatcher and Ronald Reagan, who privatized the commanding heights of the economy, slashed taxes, and destroyed much of the power of labour unions.

However, their efforts to contain the growth of the state ultimately failed. There is still much more to be done.

Micklethwait and Wooldridge believe that “the public sector may now be on the verge of radical change” – another leap forward in the fourth revolution – because many governments are running out of cash, and because there’s increasing realization of the huge potential for improvements in efficiency using technology and private-sector management techniques.

The authors identify two models that are showing reformers the way – the Asian model and the Scandinavian model.

In its purest form of the Asian model there is Singapore. It has world-class schools, efficient hospitals, minimal crime and highly successful industrial planning, yet with a public sector that is proportionally half the size of America’s (and perhaps a third the size of the European welfare states).

Singaporeans enjoy higher living standards and better public services than their former colonial masters in Britain – yet with a state that consumes only 17 per cent of economic output.

There are few places so friendly to business. There's a well-educated labour force, rule of law, low taxes, few barriers to entry, and an incorruptible and highly-efficient bureaucracy.

At the same time, the state guides the economy. It chivvies local businesses to move up the value chain. It bet first on manufacturing, then on services, and now on the knowledge economy.

"No country works harder at perfecting its civil servants," say the authors, "nor follows such an unabashedly elitist model. It spots talented youngsters early, luring them with scholarships, and then spends a fortune training them. Those who reach the top are richly rewarded, with pay packages of as much as $2 million a year, while those who falter along the way are thrown overboard."

Meritocracy reigns all the way down the system. Teachers, for example, are expected to achieve results that place their students high in international education rankings, chasing top performers such as the schools of Finland, South Korea.

The founding father of the state, Lee Kuan Yew, loathes the free universal benefits of the European welfare states. They encourage all the wrong attitudes, which is why they are now bloated and unaffordable.

The Singaporean welfare system is designed to encourage self-reliance. There is a small safety net to cover the very poor and the very sick. But people are expected to pay, or at least partly pay, for government services, and to look after their parents.

Singaporeans pay a fifth of their salaries into the Central Provident Fund, with their employers contributing another 15½ per cent. This provides them with the resources to pay for their own housing, healthcare, children's tertiary education and pensions.

"90 per cent of what you get from the Central Provident Fund is tied to what you put in, so hard work is rewarded."

Singapore is the model that others seek to follow

Lee says the West's mistake has been to set up all-you-can-eat welfare states based on universal coverage – all benefit, whether they're rich or poor. "Because everything at the buffet is free, everybody stuffs their faces. Singapore's approach, by contrast, is for the government to provide people with a good start in life – and then encourage them to cook for themselves."

Singapore is "more authoritarian, more interventionist, more bossy, especially when it comes to state-directed capitalism, than Western countries, and unashamedly elitist." It is also far more successful. So, not surprisingly, it's seen as the model that China and other emerging Asian powers seek to follow, especially in the way they design their expanding public welfare systems.

However, another model, perhaps more relevant for the established welfare states of Europe and the Anglophone world, is Scandinavia -- in particular, Sweden.

It's the country where socialism was taken to its extreme, as public spending doubled its share of economy, government payrolls ballooned, and taxes were raised so high they actually reached 102 per cent of income.

The economic consequences were so disastrous that they triggered an ideological counter-revolution. Under Centre-Right governments, Sweden did "most of the things that politicians know they ought to do, but seldom have the courage to attempt," say Micklethwait and Wooldridge. They:

► Savagely cut public spending as a proportion of GDP from 67 per cent to 49 per cent;

► Slashed the top marginal income tax rate by 27 percentage points, as well as scrapping "a mare's nest of taxes on property, gifts, wealth and inheritance";

► Bound governments in a financial straitjacket that requires them to produce a fiscal surplus over the economic cycle;

► Put the pensions system on a sound foundation, with the retirement age adjusting upwards automatically in line with longer life expectancies;

► Opted for parent power and private enterprise in education, with vouchers, freedom of choice, and schools paid for by the state but run by companies or voluntary groups;

► Encouraged efficiency in hospital care through privatization and encouraging competition, for example by publishing success rates of operations.

"Sweden continues to act like a 'socialist' country in that it provides public goods such as health and education free at the point of delivery," the authors report. "But it uses 'capitalist' methods of competition to ensure that those public goods are delivered as successfully as possible."

The outcome is high quality at low cost. The vouchers system has improved Swedish education while reducing expense; increasing the share of state-financed privately-managed schools has improved grades and university attendance. Swedish healthcare is now arguably the most efficient in prosperous countries, as measured by low average length of hospital stay, fewer hospital beds needed per thousand citizens, and longer life.

Astonishingly, this has been achieved at lower cost. The budget moved from an 11 per cent deficit in 1993 to a small surplus in 2010, and despite the global financial crisis is still only in marginal deficit. There's been no need to borrow or "print" to pay public services; in fact public debt over that period plunged from 70 per cent of GDP to 37 per cent, and is still below 40 per cent.

With the Centre-Left poised to regain power next month, there is likely to be some fiscal regression, but no return to the bad old days of profligate socialism.

Huge gains from public/private partnerships

What lessons can be drawn from these models, and some leading-edge efficiency breakthroughs in other countries -- such as application of mass-production techniques to heart surgery in India?

Micklethwait and Wooldridge suggest:

► There are huge gains to be made from the state's sharing delivery of public services with the private sector. There's "a new class of global companies that specialize in providing public services like Britain's Serco Group, which runs prisons at home, driver licensing in Canada, and air-traffic-control centres in the United Arab Emirates."

► The best regulators of the public sector are citizens themselves. This argues for giving them more information about what is going on, and more choice about where 'their" money is spent. Also, for shifting some decisionmaking down to local governments, closer to the voters.

► Bureaucrats? There should be many fewer of them, but they should be far better better paid… providing they're competent. Australia's government has already introduced "almost Singaporean levels of pay" for its senior civil servants.

► There are huge opportunities to cut or even abolish subsidies and entitlements. For example, limiting income tax mortgage relief in the US -- a benefit for the middle-class, not the poor -- would cut the fiscal deficit by $300 billion over the next decade.

► Abolish universal perks and apply means testing for some state benefits, as well as conditionality -- require adoption of good habits, such as children's school attendance, as a condition for receiving benefits.

► Increase the retirement age and index it to life expectancy; link adjustment in rates of state benefits to price inflation, not wages inflation; expect people to pay something for public services such as healthcare, even if only a token amount.

► Dramatic improvements in efficiency can be achieved through applying technology. "The digital revolution has already transformed large sections of the service sector, such as retailing, and the intellectual sector, such as journalism and book publishing." It will soon transform large chunks of public-sector services such as education and medicine "by applying similar labour-saving techniques."

The authors believe that the main political challenge of the next decade will be "fixing government," and offer a cornucopia of ideas, big and small, about how to achieve that. A fascinating read.

**The Fourth Revolution by John Micklethwait and Adrian Wooldridge, pub. by Allen Lane.*

Biggest Mistakes and How to Avoid Them

Don Freeman, co-founder of the Chiangmai Money Club, says the biggest mistake expats make when investing their capital is to sign up for offshore savings plan schemes, such as those commonly marketed in Southeast Asia for British insurance companies.

They are pushed hard by personal financial advisers who received big commissions – typically 5 per cent up-front – for selling the products. Usually investors are "locked in" for seven to ten years. If they seek to cash in early, they incur heavy charges. In some cases any cashing-in is impossible, because redemptions of the underlying funds have been frozen.

More generally, Don identifies these common investment mistakes:

► Day-trading or focusing on short-term trends. Strong growth comes from identifying, investing in and staying with long-term trends.

► Not seeking (or receiving) proper professional advice. Expats in particular should seek guidance from a qualified and regulated adviser who is independent, fee-based, and not a commission-product salesman.

► Not having a sound investment discipline. Without that, your investing is emotion-driven, so you buy and sell at the wrong time far too often.

► Not considering inflation. Prices are rising in most countries. That reduces the real return on many investments. Over time, growth stocks are the best option to offset inflation costs.

► Failing to make use of ETFs (Exchange Traded Funds). They are completely liquid – can be cashed immediately (no lock-in periods). And they're very low-cost. Mutual funds (unit trusts) typically charge 1 to 2 per cent a year, and that's after front-end (initial) load charges of 3 to 7 per cent. ETFs, in contrast, have annual fees of less than ½ per cent and no front-end sales charges.

► Failing to comply with your home-country's laws. In the case of US citizens, for example, not filing tax returns, not reporting foreign bank accounts.

► Buying "penny stocks" – those trading at prices below $10, because you think they're cheap. Such a policy keeps you out of major shares such as Google and Priceline, which both trade above $1,000 apiece. Penny stocks are usually relatively illiquid because they're never bought by institutions and large investment funds.

► Holding too many stocks or funds in the portfolio. Focus on a handful, watching them carefully, rebalancing your overall asset allocation as necessary, and "gardening" (weeding out individual poor performers and cultivating better prospects).

► Falling in love with particular stocks or funds. That leads you to stay invested too long in underperformers.

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When Easy Money Evaporates...

The big unknown facing all investors is what happens when central banks stop flooding the world with "printed" money and dirt-cheap official credit. There's never been a situation like this before, as never before has there been such money/credit creation on a global scale, so there are no precedents on which we can base our forecasts.

There are two reasons why the US Federal Reserve and other major central banks could opt for "monetary tightening" (less "printing" and higher interest rates):

► One is if there is enough improvement in economic growth to convince policymakers that it's safe to withdraw stimulus;

► The other, is fear that the negative consequences of the easy-money policies, such as the bubble in the prices of investment assets, are becoming too dangerous to be allowed to continue.

Will the outcome of those policies be a generalized burst of inflation, or deflation, or even an ugly combination of the two, with rising prices of assets such as equities, real estate, bonds, even gold, while those of consumables such as goods and services are squeezed by slowing (disappearing?) economic growth?

"The financial kindling-wood accumulated from base money creation in recent years has the clear potential to trigger a hyperinflation," argues the CLSA investment bank commentator Christopher Wood.

Japan is the major economy most at risk, he says, because of the greater scale of credit creation seen in expansion of the central bank's balance sheet and related monetization of government debt (using "printed" money to buy bonds to pay for government spending).

In little more than a year the Bank of Japan's "assets" have risen by three-fifths to an astonishing 55 per cent of GDP, compared to 26 per cent in the case of the US central bank.

Whether easy-money policies lead to hyper-inflation or deflation, gold "remains the only hedge" against either outcome, "in a situation in the developed world today which has the illusion of normality" – seen for example in the very low level of measures of financial stress – "but which is in fact anything but normal."

Wood's view is that any attempt to raise interest rates to "normal" levels, such as a policy rate of 3 per cent in the US, "while ultimately healthy, would cause such financial dislocation that overwhelming political pressure would lead to a reversal of that policy."

Improving US Economy to Strengthen the Dollar

"We can expect a blistering dollar rally," Ambrose Evans-Pritchard predicts in the *Daily Telegraph.*

He bases his forecast on the rapid improvement in the condition of the US economy that is likely to shift the central bank towards earlier, tougher tightening of its easy-money policies.

Although Fed chairman Janet Yellen is generally regarded as a dove, she could easily switch to hawkishness. "She was one of the first to call for pre-emptive rate rises in 1996 to choke inflation, dissenting from the Greenspan Fed. Nobody thought of her as dovish then."

Her lodestar is America's NAIRU – non-accelerating inflation rate of unemployment. She thinks the point at which tight labour markets start to drive a wage-price spiral is about 5.4 per cent.

The unemployment rate has plunged in 12 months from 7.5 to 6.1 per cent. Yellen told Congress that the pace of jobs recovery is coming 15 months earlier than the Fed expected. With skill shortages cropping up everywhere, the point is fast approaching when she will become a hawk, Evans-Pritchard says, as several members of the Fed's monetary policy committee already are.

One consequence of a credit tightening will be a strengthening of the greenback in terms of other currencies. Jens Nordvig, chief currency strategist at the Nomura investment bank, says: "We are close to a major cyclical recovery for the dollar."

"Under normal circumstances the Fed would be targeting short-term rates of about 3 per cent right now rather than the essentially 0 per cent rate that has been in place for several years," says Russ Swansen, chief investment officer at Thrivent Financial.

The outlook is for economic growth of 2 to 3 per cent a year, given generally positive trends in the labour market and the manufacturing sector, plus favourable financial conditions.

There is no hint of an impending recession in current economic statistics.

However, the St Louis Fed's Financial Stress Index is now at its lowest level in at least 20 years, suggesting that "the markets could be vulnerable to a correction.

Stock-market declines in the neighborhood of 20 per cent or more can happen even without a recession. After former Fed chairman Alan Greenspan warned about "irrational exuberance," the stock-market actually continued climbing for the next three years, but it did suffer a 19 per cent correction during the period.

For practical purposes, such corrections cannot be predicted. "Investors must be prepared to live through them."

Bond Yields Fall to a 500-Year Low

Jeffrey Gundlach, the American fund manager who correctly forecast the surge in bond prices this year, contrary to the overwhelming majority of the experts who got it wrong, remains fundamentally pessimistic about economic growth in the US.

He predicts that quantitative easing, the easy-money policy that the Fed is now running down, could well be resurrected in a few years' time.

One of the consequences of the zero-interest policy is that it has magnified the problem of refinancing companies' high-yield debt that will have to be faced in the 2020s.

That will be part of a bigger problem that will include refinancing the Fed's Treasuries, soaring federal deficits as baby-boomers drain social security and healthcare funds, and ageing populations in China and other emerging economies.

Mark Haefele, global chief investment officer at UBS Wealth Management, says although fixed-income securities will no longer deliver big returns, they should remain as an important constituent of portfolios as they offer protection against volatility.

A simple 50/50 portfolio of US investment-grade credit and American equities can be expected to deliver an average annual return of 5.9 per cent, with relatively low volatility and risk.

The rate of interest the Dutch government is asked to pay on its bonds recently fell to a 500-year low. Britain has for the first time been able to borrow with inflation-linked bonds offering a negative real yield (investors pay for the security of their capital). Anthony O'Brien, a Morgan Stanley strategist, says yields on European sovereign bonds are likely to remain at record low levels. "Low economic growth, low inflation, geopolitical risks, are all supporting this trend."

Indonesia: Caution Called For

Although the election of Joko Widodo as president of Indonesia is good news, because of the obstructive power of various forces, it would be wise for investors to assume he will only be able to make limited progress in addressing major problems hampering economic growth.

This giant nation has failed to capitalize on globalization because its protectionist policies and poor infrastructure have discouraged the development of world-class manufacturing seen in other Asian nations. Its automotive assembly plants, for example, depend on imported components for 70 per cent of vehicle content.

Indonesia is still far too dependent on producing commodities, with fossil fuels and palm oil accounting for 40 per cent of export earnings. A policy of restricting mineral exports aimed at forcing mining companies to invest in local processing is hurting foreign trade. The current account is now running in deficit, equivalent to 4 per cent of GDP.

The incoming president wants to phase out huge fuel subsidies over three years to save some $50 billion, but that's going to be very difficult because they are so popular with consumers.

Tailpieces

Under-investment: There are several reasons why global economic growth has failed to return to the levels that were normal before the financial crisis burst upon us, but clearly one of the more important is overall loss of confidence of businesses about the future, which inhibits their willingness to take on the risks of investing in new ventures, greater capacity.

The ratings agency Standard & Poor's says capital expenditure in real terms actually fell 1 per cent last year, and is expected to decline again this year.

The Economist comments: "A chicken-and-egg problem. Without a strong global recovery, companies will not spend more. But if they do not spend more, there will not be a strong recovery."

Stimulus plans: The danger in these measures by governments is that although they're supposed to be only temporary, they tend to have some permanent… negative…consequences.

For example, not long ago Australia had one of the world's strongest government finances, with national debt almost wiped out under conservative governments. The global crisis provided an excuse for incoming Labor to introduce a whole raft of spending measures. Trouble is, some of them became "baked into the budget, while revenues have languished," says Andrew Neil.

Tax foolishness: The British government's revenue from capital gains tax has fallen, not risen, since its rate was raised four years ago from 18 to 28 per cent. That was part of the deal made with the Liberal Democrats to bring them into the ruling coalition.

Revenue from the tax has halved since the rate was increased.

One reason is that taxpayers have decided to hang on to assets, as the tax is only levied on realized gains. Another is some switching into tax-exempt or lower-taxed assets.

Diageo: The world's biggest maker of alcoholic spirits is suffering from the crackdown on corruption in China, which has hit all brands of luxury goods favoured as presents for officials. In January it suffered a 66 per cent fall in sales of its luxury brand Shui Jing Fang, a much-prized gift given to officials and a staple at banquets. Diageo paid about $400 million for majority control of the 600-year-old baijiu white spirits producer two years ago, but now "the business is disappearing before their eyes," says one analyst.

To flee the dollar? The Russian central bank had forex reserves of $478 billion at the end of June. Presumably most were in dollars and euros. Given deteriorating relations between Moscow and the West, expect diversification out of those currencies if the sanctions war escalates, into ones that would be politically safer such as the Chinese yen. And into gold, where Russia's central bank has become a big buyer in recent months – 54 tons in the second quarter.

Energy in Europe: Antonio Tajani, the European Union's industry commissioner, says the aggressive policies promoting renewables are pushing electricity costs to untenable levels at a time when the shale revolution has cut US natural gas prices by 80 per cent.

Consequently, "we face a systemic industrial massacre… We can't sacrifice Europe's industry for climate goals that are not realistic, and are not being enforced worldwide."

Growth does worst: In the past, countries with the highest economic growth have subsequently delivered the poorest average equity returns, while those with the worst economies provided the best returns, according to the latest Credit Suisse investment yearbook.

However, it's not clear whether that's because poorly-performing economies rebound, or because low economic growth deters investors, so their shares are cheap.

Singapore: It's increasingly become too expensive for tourists. The average cost of an hotel room has more than doubled over the past decade. The main reason is the strength of its currency, but some regular visitors say the quality of hospitality services is being damaged by restrictions on the inflow of foreign labour. Locals scorn some of the unpleasant jobs and aren't willing to work inconvenient hours.

Boost for debt: Britain's Help to Buy subsidy scheme for first-time home buyers "looks like a political master stroke" as voters like it, but is "a public policy disgrace" says CLSA's commentator Christopher Wood. For the first time it puts UK taxpayers "on the hook for mortgage debt a mere five years after the collapse of Fannie Mae and Freddie Mac in America should have made crystal clear the dangers of such an approach."

Kill the birds: Environmentalists are increasingly divided over issues such as whether greater risks to endangered species are an acceptable cost for advancing renewable fuels. In California the authorities recently gave permission to a wind farm project that would, as a consequence of its operations, kill bald eagles, one of the US's most highly protected birds, for the next 30 years.

High-growth sectors: Companies likely to benefit from disruptive changes in the way business is done, human problems are treated, or industrial processes are treated, are being targeted by Janus, one of the world's best-known growth fund managers, taking them into high-growth sectors such as on-line retailing, biotechnology, electronic process control.

Elites: It's estimated that in the Philippines, just 40 of the country's richest famillies account for, control and enjoy the benefits of 76 per cent of annual production; in Thailand, the figure for the 40 wealthiest families is 34 per cent. However, wealth is spread much wider in other Asian nations. In Japan, the equivalent figure is less than 3 per cent.

Rail links: One of the big under-reported stories is China's ambitious plan to build a network of new, high-speed railways spreading its power into Southern Asia. The latest example is allocation of initial funds for an 1,800-kilometre line from its westernmost city of Kashgar through Pakistan's Islamabad and Karachi to the deep-sea port of Gwadar on the Arabian Sea.

The missing link: In the US, "apart from the Fed, it is hard to point to policymaking institutions that are seriously engaged in pro-growth initiatives," comments Mohamed El-Erian, former chief exec of the world's largest bond management fund, Pimco.

False indicator: The apparently-low level of yields on bonds are no reason to expect good returns from equities, warns American fund manager John Hussman. "The correlation between the 10-year Treasury yield and reliable estimates of 10-year S&P total returns… is only about 0.13."

Financial repression: Interest rates depressed by central bankers mean that "savers are being boiled alive in the liquid hubris of neo-Keynesian economists explicitly in the service of the state," comments Tim Price of PFP Wealth Management.

Switzerland: Its surging productivity is attributed by well-known economist John Kay to "seemingly price-insensitive demand for its chemical and engineering exports."

Wheel of fortune: 300 Chinese have bought themselves green cards (rights to live and work in the US) by investing $500,000 apiece in a project to build a Ferris wheel in a New York entertainment park.

Wise words: *The ten most dangerous words in the English language are: 'Hi, I'm from the government, and I'm here to help.'* Ronald Reagan.

Martin

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