

Subject: GOOD MORNING

It's tricky when one sits down in the morning in order to pen a column on markets and on the events across the globe which influence them but finds one's brain stuck in moral philosophy mode. When recently trying to help the son of a friend frame his extended essay at school, I dragged Isaiah Berlin's epochal paper "Two Concepts of Liberty" out from the back of my consciousness and suggested he read the short piece which is based on a 1958 lecture which Berlin gave at Oxford.

Looking at the world around us this morning and the events from Catalonia to Riyadh, from Brexit to quantitative easing, from blockchain to the Paradise Papers many of the issues which are at the centre of the respective debates and actions can and should be held up, looked at and then filtered through the Berlin's weighing up of positive and negative liberty. In his paper Berlin distilled the essence of socio-political dialectic around the thesis and antithesis of freedom to and freedom from.

It might be ironical that I am chewing over Berlin's seminal paper on the somewhat forgotten, especially in Moscow, 100th anniversary of the October Revolution. I was born less than 40 years after the Bolshevik take-over of Russia and the creation of the Soviet Union and I grew up very much in the shadow of the daily threat of nuclear conflict between NATO and the Warsaw Pact, themselves some form of incarnation of freedom to and freedom from. I mentioned in a recent column a comment which had come out of Poland which, with the UK leaving the EU, becomes the next truculent child. The line had been that Warsaw had not fought to free itself from the diktat of Moscow only to find itself subject to equally stringent controls out of Brussels.

On September 11th 1990 – eleven years to the day before the attack on the Twin Towers, now known simply as 9/11 – President George Bush Sr gave a speech titled "Towards the new World Order" in which he embraced the policies of Mikhail Gorbachev and the dismantling of the Soviet empire. The dreams of democracy and self-determination for which NATO had stood and which were being pursued by way of the opening of borders across Europe though the structures of the EEC were in the ascendant. Twenty seven years later with the EEC having been replaced by the EU, with membership of 12 having been expanded to 28 and with the first ever member in the process of leaving again, the union looks ossified and in many respects now looks and behaves more like Soviet Moscow than it does like the old EEC.

Whether or not a majority of Catalans wish for independence is a moot point but the flagrant refusal of Eurocrats in Brussels who are still dreaming of being the masters of the sole capital of a single European nation to show a single gene dedicated to freedom and self-determination must horrify. The very fact that the elected Catalan leaders can, in the 21st century, find themselves being arrested and charged with revolt and sedition and subject to a European arrest warrant should have all of us on the barricades. I was privileged to have grown up and been educated surrounded by the student uprisings of

1968 and the great protests against the Vietnam war. It was an age of idealism. It was an age when all we wanted was to be free. In Berlin's thinking it was about being positively free, free to.

In November 2017 we are facing markets which have had all those freedoms removed. We can no longer do anything which is not forbidden but only that which is specifically allowed. Compliance and regulation is here to constrain freedom to and replace it with freedom from. Central bank policy, the period of Nirp and Zirp and of mindless asset purchases have been aimed at cementing freedom from. Monetary authorities are no longer expected to manage economic cycles but to prevent them from happening. Nobody is allowed to get hurt, risks are no longer allowed to carry a negative outcome.

The Paradise Papers – I presume the lead journalists themselves invented the name to reflect that lots of warm Caribbean islands involved and to generate greater jealousy amongst the broader population – have so far revealed nothing illegal. They have pried into people's private affairs, have inferred wrongdoings which were not there and have implicitly declared them guilty without trial. Denouncement and condemnation? Weren't those the tools of Hitler and Stalin and Franco too? The Pentagon Papers and the Watergate tapes are one thing but details of Her Majesty's investments in countries she rules is something entirely different. Why should the Prince of Wales, a dedicated environmentalist not have his money invested in a company which is active in an area in which he has interests? Do we have to fire all doctors who own shares BAT or Diageo? In having first expressed horror at his investment, the release goes on to specifically affirm that the share price of the company involved enjoyed no benefit from the Prince's activities or actions and that there were no tax implications. The investment was to be confidential. Could that not have been in order to specifically prevent an effect being caused by the knowledge that the Prince had invested?

In the years before the financial crisis we as an industry sold our soul for money. Ten years ago the GFC began with the legendary freezing of three of BNP's structured credit funds. In consequence we sold our souls again and again for money except that this time it was for cheap money from the central banks. We sold out souls for the freedom from the consequences of decade of greed and debt. Now we face a little less greed but a hell of a lot more debt. The ossified structures which hold this edifice together are being challenged by what are termed "populist" movements. Shock, horror, the people are expressing their will!

I read that the command of the German army has in its strategic planning a case based on the collapse and disintegration of the European Union by 2050. No reason not to assume that what we have today will last forever. The 1,000 year Reich lasted just twelve years. Brexit and the Catalan cases demonstrate that there are dynamics afoot which need to be included in our thinking and which might prove to only be the tip of the iceberg. Tim Berners-Lee launched the internet in 1989 and look where we are now. Blockchain and crypto currencies are still in their infancies but 20 years from now they are likely to be as much part of our everyday life as the world wide web has become. They are perfect expressions of

Berlin's concept of positive freedom. The greatest users of this web, created by the hated baby boomers are, funnily enough, millennials with their safe spaces and fear of being offended.

On this hundredth anniversary of the October Revolution and tenth anniversary of the beginning of the financial crisis we should reflect on what we want and what we stand for and be prepared to pay the price to defend the achievements. We must strive to get it right for most in the knowledge that we will never get it right for all. But most of all we must fight to either maintain or create socio-economic and political structures which can embrace the dynamics, adapt to change and which will not fight it all costs. With health and safety, regulation and compliance Columbus would still be waiting harbour-side in Cadiz and Penicillin would still be on the test bench of the FDA.

Please, do ake the time to read Isaiah Berlin's seminal piece; it's not very long but it is very big.

I apologies for the rant. Tomorrow its back to oil prices, yield curves and Trump in Beijing.