

View from the Bridge

By Clive Hale

an alternative look at the investment world

www.viewfromthebridge.co.uk

Falling

Because falling's not the problem

When I'm falling I'm in peace

It's only when I hit the ground

It causes all the grief - Florence + The Machine

The last time I jumped out of a perfectly serviceable aeroplane for a tandem skydive the exit altitude was 12,000 feet; scary. Felix Baumgartner has just done that but from 120,000 feet plus; bonkers. The difference between the two separated by one zero and a phenomenal amount of experience and funding might help give people an idea of the enormity of quantitative easing. Only with QE we are adding three zeros to a billion and ramping up the big number, with undeniably a lot less skill and even Red Bull don't have the wherewithal to fund it.

So who will pay the bill for this monetary "experiment"? Gavyn Davies in his FT blog has suggested that central banks will "forgive" some of the sovereign debt they hold. He is thus speaking to the reality of the situation in the same way as FB on the edge of space - the only way is down. Down to zero altitude and as well as zero bond redemptions; arguably good for the governments concerned, but with a potentially severe inflation kicker. This in effect would be money printing on steroids.

But will the financial markets go into a flat spin if that happens? Felix didn't know whether reaching the speed of sound and the resulting shock wave would knock him off course, but when it did he had the experience of over 2000 previous jumps to get himself out of the problem. Bernanke, King and Co are standing on the precipice with no previous encounters to help them. If Felix hadn't done exactly the right thing at the right time the headlines would have been very different. Central bank actions await a similar binary outcome.

So to Felix our congratulations for proving that the "Austrians" have the right handle on things, whereas the Keynesians appear to have jumped without a ripcord on their parachute...

And politics in power

That you don't understand

You've no ripcord

No ripcord, no ripcord, no ripcord – Radiohead

If you would like to go on the mailing list for this regular publication please

sign up at www.viewfromthebridge.co.uk