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Market hypocrisy [1]

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It was nice to see so many of our politicians attacking Barclays? Bob Diamond for distorting markets by manipulating Libor rates. Efficient markets are the bedrock for solid economic growth, and nobody defends free and open markets better than the Adam Smith Institute, so can we take credit for the politicians? exuberant market fervour?

Alas, no. Many members of the Treasury Select Committee were simply grand-standing hypocrites because nobody manipulates markets more and urges others to do the same than that crowd hunkered down in Westminster and its various partners in crime.

Start with the mother of all market manipulations - quantitative easing by the Bank of England. Running the printing presses to buy up UK government gilts has slashed interest rates across the board, royally screwing honest savers, prudent investors and pensioners. Those absurdly low interest rates allow the government to escape more aggressive cost controls and steer precious capital towards mis-priced investments. Have any Committee members sent emails to anyone about this market manipulation?

Still in the bond markets, the scramble to shore up wobbly banks led to higher capital requirements. And what?s the definition for that higher capital? Yes, holdings of yet more government bonds ? how convenient and how market distorting! Even Greek government bonds just a couple of years ago were judged worthy but now leave so many banks in deep doo doo. Are there plans by the Committee to interrogate those responsible for the rule then?

Then there?s the Jaws of market distortions ? the unseen predator lurking below the surface, otherwise known as pension deficits. The biggest sharks in the water are the public-sector pensions, virtually entirely unfunded. After all, what is a pension but the return from long-term investments in the form of dividends, interest payments or perhaps rising tax revenues. The complete disconnect between productive investment and pension payments is an obscene market manipulation whose real costs are only beginning to be understood. Which heads will the Committee seek to roll?

All too mind-numbingly big to comprehend? Here?s an easier one. In our leafy suburb, there?s a four-bedroom detached house occupied by a reasonably comfortable retired couple who recently shipped a vintage sports car to America and back so they could tootle down Route 66 for a few weeks. The roof of their house is now graced with solar panels subsidised every which way from initial installation to higher electricity rates for the rest of us. As this year?s incessant rain pours down day after day, surely one Committee member could demand an appearance by the energy-market manipulators responsible for this travesty.

John Mann, a Labour MP on the Committee, huffed and puffed at Mr Diamond that ?Either you were complicit or you were grossly negligent or you were grossly incompetent. That?s the only conclusion.? Indeed. The Committee members might try that line while looking in the mirror.

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