

Big Ben Goes Silent as the War for Britain Continues

Retrieved Wednesday 16th of August 2017 09:41:20 PM

What a glorious day. It has happened at last.

Health and safety's overzealousness has struck Parliament where it hurts – right in the bong. Big Ben's bong, to be precise.

According to various accounts of an enormous parliamentary furore, no was told health and safety had to turn off Big Ben's chime during four years of restoration work. The whole process is therefore under review.

Supposedly the bong is an integral part of lawmaking, so the issue is quite serious. And yes, lawmakers get to argue that health and safety is manifestly stupid and should therefore be changed or ignored. Meanwhile we suffer under its bizarre rules without recourse. Unless you're a major corporation.

But Big Ben's bong is not the only issue facing Britain. Brexit's border changes are in the news too. Ireland is worried again.

This issue utterly mystifies me. Why are borders bilateral or multilateral issues? In other words, why are borders the subject of agreements with other nations? They should be unilateral issues.

Britain should just decide to keep its border with Ireland open, end of story. If the Irish government wants to close its side of the border, it'll be the identifiable nincompoop causing a problem. If the EU forces Ireland to close its side of the border, the [EU will confirm its status](#) as a meddlesome nincompoop causing problems. It's confirmed it's perfectly willing to do so when it triggered airport chaos with border checks these holidays.

There is no lack of international agreement to keep the border open. It's a question of whether Britain closes the border, Ireland closes the border, or the EU forces Ireland to close it. There is no need for debate, discussion, negotiation or anything else. No policies, proposals or waivers. Just don't close the border.

And the same thinking should apply to the customs union that our government now wants to remain part of temporarily. Don't negotiate, agree or provide a new system. Instead, just don't ban, tax or restrict European products. If it wants to ban, tax or restrict British ones, it can go right a. Anyone who believes in trade and openness will have to oppose the EU from that point on.

Do you fear European goods for their lack of safety standards? Do Europeans fear crooked British cucumbers and Marmite? Anyone who answers yes can simply decide not to buy them.

Guy Verhofstadt explained on Twitter: "To be in %26 out of the Customs Union %26 "invisible borders" is a fantasy." But no ever explains why.

Why can't a country trade freely as long as its exports comply with the laws of the destination? Why is an open border with Ireland an issue?

The only obstacles are government imposed ones. Tariff compliance, declaration requirements and many others. Get rid of those and you get rid of the problems they cause if you open the border. If the current lack of tariffs, declarations and border posts is working, why impose them?

The Financial Times explains the biggest reason why the [EU can't stomach a good deal with Britain](#). It would expose the nature of the EU as a restrictive trade bloc:

The basic idea of a customs union is simple. It involves a common external tariff against imports from all other countries in the world, enabling goods to circulate freely within the union without one country being used as a low-tariff back door.

Britain might become the EU's back door. But the problem is the EU's restrictive tariffs in the first place. Britain might not exhibit the same stupid policy, causing a problem for the EU. But the EU can impose its stupid policies on trade with Britain – a huge proportion of our total trade.

The best policy remains the same as on the border issue. The government just needs to decree it will not interfere with trade

with the EU, end of story. If the EU wants to expose itself as anti-trade, it can go right a. Companies will flock to Britain, not the EU.

But with such simple solutions to the world's [Brexit](#) problems come a lack of importance for negotiators. Last week Michel Barnier accused Britain of progressing too slowly. Now he is delaying the talks on trade. A few months ago he wanted agreement on everything before any agreement was finalised. Now [he wants Britain to agree to pay a divorce bill](#) before trade negotiations begin.

It smells like negotiation for the sake of negotiation to keep his job. It'll be fascinating to see how long the Department for Exiting the European Union lasts. "Nothing is as permanent as a temporary government program" said Milton Friedman.

According to the Independent, Britain's scattered negotiation tactics are a ploy. No British public servants have ever been so disorganised or confused as [Britain's Brexit negotiation team](#). None other than Blackadder's sidekick Baldrick is involved with a "cunning plan", say the Europeans. That makes things promising.

Diagnosis Brexit

The problem with Brexit is the EU. After all, if the EU made sense and worked well, we wouldn't want to leave. So it's no surprise negotiations are a mess. But by being the one to run for the exit first, Britain makes itself look like the problem.

[Brexit has exposed the EU's restrictive borders](#), restrictive trade policies, financial costs and absurd negotiating games. They look like problems triggered by Brexit, but Brexit merely exposes what is already there.

A country that wants to trade with the EU faces the same nonsense we face now in our trade negotiations. A country wanting to implement basic sensible border policy with the EU faces what we face now. Wealthy countries in the bloc face the divorce bill we face now, but spread over time.

It's interesting to consider whether we can even afford the European Union. The simple answer is no. [Britain faces an existential crisis as it is](#). One you should prepare for.

Down the Jackson Hole

Next week the central bankers of the world meet at Jackson Hole to go hiking, fly fishing and talk economics.

The Financial Times has given them something to talk about. It analysed major [central bank](#) balance sheets and discovered some mind-bending figures.

They now hold US\$15 trillion in assets, 60% of which are government [bonds](#). They own a fifth of their governments' debts. Both the European Central Bank (ECB) and Bank of Japan own more than the Federal Reserve all in.

But there are wide variations between banks. At the ECB, government debt is less than half of holdings. The Bank of Japan has 85% invested in Japanese government debt. At the Fed, mortgage-backed securities backed by agencies such as Freddie Mac and Fannie Mae, who are in turn backed by the government, make up 40% of holdings.

You have to wonder how much discretionary buying still goes on in the world. Take government bonds, for example. So many institutions are legally mandated to buy government debt that the entire supply is soaked up.

Between sovereign wealth funds, central banks, governments, government-mandated pension funds and heavily regulated banks, there must be very few buyers and sellers of government securities left. The size of fund flows determine government bond prices, not whether buying them makes sense.

Price discovery has disappeared. What might a real market price look like?

Until next time,

Nick Hubble
Capital %26 Conflict