►On Target

Martin Spring's private newsletter on global strategy
October 2, 2010   No.128

The Noflationist Case for Blue Chips

Investors generally are even more confused than normal about where to put their money.

The bond markets, with their record high prices for the lowest-risk securities, suggest a long period ahead of poor economic growth. Equity markets, by contrast, have come through a troubled summer in good shape, suggesting that the gloomy forecasts of a double-dip recession ahead are wrong.

Critics of bonds say it's nonsense to be satisfied with yields on government securities as low as 3 per cent (Germany) or below 4 per cent (the US) for the next 30 years, as you can be sure the real value of their capital will be devastated by inflation over such a long period.

Perhaps. But those who say this loudest are nearly always analysts who have been consistently wrong about bonds for a long time. And to suggest that investors are locked into such securities for 30 years is nonsense, as they can be sold at current market values at any time.

Of course there is a risk to bond values from inflation. But for the moment, that is no threat. Prices generally are losing upwards momentum, or even falling. The threat now is not inflation but deflation – the perfect environment for strength in low-risk bonds.

Longer-term, the bond sceptics make the mistake of assuming that, because central banks are printing money like crazy, that means future inflation is inevitable.

That is economic fallacy – at least for periods long enough to be hugely expensive for investors who believe in it. Japan, the world's second/third largest economy, has been creating money in bubbly proportions for two decades without producing inflation.

Inflation isn't a product of money creation, but of an excess of demand relative to supply of goods and services that is accommodated by money creation.

In the world economy as a whole, there is no such excess. In fact there is the opposite problem – insufficient demand. China alone cannot provide enough of it. The other major economies are weighed down by the bad debt of the real estate sector and its poisonous legacy for banks and investment funds.

As stimulus plans expire, and both expert and public opposition to extending them mounts, only the central banks are left to fight against economic slowdown. Their sole weapon – money creation – is certain to be ineffective. It can keep all the zombie banks alive, but it cannot transmute abundant credit into sufficient demand for goods and services to produce sustained economic recovery.

There is no conflict of logic between buoyant equity markets seemingly predicting inflation and strong bond markets apparently forecasting the opposite. In fact they aren't doing either. They are reacting to money creation so excessive that their value as instruments of prediction has been destroyed. All liquid assets are rising together on a flood of surplus money.

When you don't want to borrow, are inclined to be thrifty rather than spendthrift, and the interest banks are offering on your deposits is ridiculous… listed securities or gold look good.

Because of the way the flood of cash is inflating prices in investment markets, we are experiencing a period of relatively poor global economic growth that nevertheless counter-intuitively offers good investment opportunities.

Those of you who have been following my views for a while will know that I am a noflationist. I don't believe that inflation will be a general threat for a long time because of the imbalances in the world economy.

However, I don't believe deflation will be a serious problem either – central banks and governments have the means to prevent it, as the Japanese authorities have done. And political pressures will, in time, ensure that those means are applied.

Best investments in a world of explosive money creation

Does that make the lowest-risk sovereign bonds a good investment at current prices? Yes, for a proportion of your holdings, especially if you are an investor whom by age, wealth or other personal circumstances requires a conservative portfolio. However, there is an alternative asset class with significant attraction – blue chips.

The Economist notes that in Europe yields on ten-year government bonds have fallen well below average dividend yields. "Even if dividends did turn out to be stagnant for the next decade" – as derivatives suggest the market expects to happen – "investors would still get a higher income from equities than from government bonds."

If inflation does take off, dividends would rise whereas government bonds would look horribly overpriced. “The prospects for equities may not be great… but they may still be the best of a bad lot.”

But which equities?

For decades the best returns for equity investors have generally come from the shares of small and midsized companies. The heavyweights have underperformed.

Is that going to change in a low-growth global economy?

The case for high-quality defensive stocks

Some advisers whose views I respect are starting to argue that, especially if you’ve got enough high-risk commodity stocks and expensive Asian counters, and/or you’re nervous about bonds because of inflation risk, you should focus on blue chips – very large, well-managed corporations with global brands and a worldwide reach.

Jeremy Grantham, master strategist of US fund manager GMO, for example, is forecasting that over the next seven years high-quality American stocks are likely to return an average of 7.3 per cent a year, compared to just 1.1 per cent for the rest of the 500 largest listed firms. Patient investors should wait for opportunities to buy when shares fall to levels where they are “fair value,” he says.

Eoin Treacy at *Fullermoney* suggests that “companies with a global franchise offer an excellent avenue to the expansion of the global middle class which is driving world-beating economic growth in Asia and Latin America.”

Bill Miller, chief investment officer at Legg Mason Capital Management, says now is “a once-in-a-lifetime opportunity… to buy the best quality companies in the world at bargain prices. The last time they were this cheap relative to bonds was 1951.”

Rory Gillen of Ireland’s InvestR Centre is promoting the idea that US global consumer franchise stocks are “a decent port in a storm.”

They “offer the most basic of products or services, yet have unique attributes that investors often overlook. They offer defensiveness in their earnings, no financial risk (currently), mixed currency and emerging markets exposure and, following the decade-long bear market in equities, better value than they have in possibly two decades.”

The earnings yield available from a handful of such stocks is more than twice the yield on US government ten-year bonds, yet there is a “high probability” of future growth in their earnings.

“The repetitive nature of the demand for Coca Cola’s products in difficult as well as buoyant economic conditions, its bullet-proof brand, and global distribution power” provide its earnings with resilience.

“Likewise, McDonalds’ low price points, speed of service and consistency of product have allowed it to consistently dominate the fast food industry globally and to deliver reliable growth over time.

“Proctor & Gamble has a collection of multi-billion-dollar brands in household and personal care products where, again, demand is steady in good times and bad.”

There is clearly value in global consumer franchise stocks, whether or not there is a double-dip recession.

However, I am not convinced that earnings yield relative to bond yield is a reliable measure of comparative value. Earnings figures are often inflated by creative accounting. And as earnings are not distributed, except the portion paid out as dividends, they are not directly comparable with bond interest. They are more useful as a measure of how stable future payment of dividends is likely to be, and as a measure of past growth and value relative to other equities.

Another problem is that when researching this subject I was shocked to find how poor is the earnings growth record of most of the very large companies that we tend to think of as blue chips, and which stock-market advisers categorize as such.

Some ideas for long-term, low-risk investing

Nevertheless, pressing on, and using as my benchmarks current dividend yields and dividend cover, growth of operating income and earnings over the past four difficult years, and share price trends, I have been able to compile a list of 20 international blue chips that warrant serious consideration for long-term, low-risk equity investment.

Several of my choices may surprise you…

Healthcare is a sector much liked by investment advisers because of the certainty of its growth as populations age, the range of drugs and medical technologies expands, and the exploding Asian middle class demands and is able to afford better medical care.

However the sector has not provided many encouraging investments in the developed economies, and profits face increasing political constraints.

GlaxoSmithKline is a global giant offering an excellent dividend yield with limited downside risk, but I also like **AstraZeneka** for its far better growth record and greater dividend cover.

Technology is another sector much favoured by analysts because of its high growth, driven by the introduction of new consumer products and software, and development of more efficient industrial and service processes.

Although the US is likely to remain the leader in software because of the depth and breadth of its human resources, and the favourable cultural environment, unfortunately nearly all the American giants in the field look too expensive for me. Somewhat reluctantly (I am no fan of the company) I reckon the safest choice is **Microsoft**, yielding only a tad above 2 per cent but four times covered.

In hardware, however, we can expect the Asians to continue making most of the running. I like Samsung Electronics as a long-term bet, but for its more stable earnings growth pattern and much better dividend yield I prefer the Taiwanese laptop manufacturer **Acer**.

The "sin stocks" have long been a favourite with defensive investors. In tobacco, my choice is **British American Tobacco**, and in liquor, **Diageo**, the world's leading premium drinks franchise, for their scale, brand assets and international diversity. BATS gets more than half its profit in emerging economies and Diageo about a third.

In mining the obvious choice is **BHP Billiton**, assuming you look elsewhere for your holding in gold. It combines scale with diversity, top-class management, and the politically favourable locations of most of its production and reserves.

Consumer markets are the lowest-risk in troubled economic times, so it makes sense to invest in excellent companies that dominate through their brands and distributional skills.

My choices are **Nestle**, **Procter & Gamble**, **Heinz**, **Kimberly-Clark** and **Reckitt Benckiser** – all yielding around 3 per cent with good cover. Most of them already get about a third of their sales in emerging economies.

In global retailers I prefer the UK's **Tesco** over the US's Wal-Mart. It is already the world's fourth largest and has big expansion plans in China.

My top choice of all American blue chips is the incredible **McDonald's**, which gets almost two-thirds of its earnings outside the US.

I have never liked the shares of banks – their managements are far too easily lured into what longer-term amounts to high-risk speculation. With the bursting of the credit bubble, they will now be burdened for years with toxic assets, government interference, public hostility, risk aversion and sluggish credit demand.

But it's difficult to resist the appeal of the world's largest, the **Industrial & Commercial Bank of China**, with its yield of almost 3.3 per cent 2½ times covered, and an excellent earnings growth record.

Another Chinese blue chip I like is **Petrochina**. It is the country's biggest oil producer, with among the largest reserves in the world relative to output. Its 3.7 per cent dividend yield is more than twice covered.

Both these giants enjoys the safety and support that comes from their four-fifths ownership by the Chinese state, with their shares listed outside China on Hong Kong, US and European bourses.

Here's another surprise…

Real estate is a sector cursed by periods of bubbly over-development followed by crashes. That's why the charts of property companies look like roller-coasters. For stability, consider one of Asia's largest investment trusts, **Link**, with its huge and growing income from rental of its commercial and residential assets in Hong Kong.

In agriculture, an increasingly important sector of investor interest, my choice is Switzerland's agribusiness **Syngenta**, developer and marketer of advanced seedstuffs and pesticides.

Telecoms is a difficult area because of over-competition, technical change and bloated "legacy" costs, but offers some useful income stocks. I like the Spanish giant **Telefonica**, which adds some growth to a 7 per cent yield.

I have struggled to find anything to recommend from the huge Japanese stock market. All their well-known giants offer poor yields and earnings histories. A rare exception is **Toshiba Plant Systems**, which I like despite its low dividend yield for its excellent record and "pole position" in the world of nuclear energy.

My friend David Fuller, the London analyst, recently spoke favourably about the idea of accumulating large-cap multinational US companies with covered yields of at least 3½ per cent. Trouble is, they are hard to find, especially if you want a track record of decent earnings growth! My portfolio of suggestions does offer an average yield of better than 3½ per cent, and with an average cover of almost 2.3 times.

Remember that this portfolio is a very defensive one designed to provide an income comparable with one from bonds, with a low level of risk from deflation, a high level of defence against inflation, and the potential to offer some growth in profits even in a period of sluggish economic activity.

There are many stocks that offer the potential of stronger growth if you are prepared to carry more risk, or are more optimistic about the outlook for the world economy than I am.

Of course, you may be suspicious of investing in quality stocks anyway, as for years they have underperformed relative to the higher-risk small-caps. Why?

BLUE CHIP PROSPECTS

Share	Sector	Div%	PE	Div. cover	EPS growth*	Ticker
Acer	Electronics	4.06	14.7	1.7	18%	2353:TAI
AstraZeneca	Healthcare	4.70	8.8	2.4	78%	AZN:LSE
British Am.Tobacco	Tobacco	4.38	17.1	1.3	63%	BATS:LSE
BHP Billiton	Mining	2.77	13.8	2.6	32%	BLT:LSE
Diageo	Liquor	3.46	16.6	1.7	33%	DGE:LSE
GlaxoSmithKline	Healthcare	4.95	16.3	1.2	32%	GSK:LSE
Heinz	Foodstuffs	3.75	16.3	1.6	122%	HNZ:NYQ
Ind&CommBank	Finance	3.32	11.6	2.6	238%	1398:HKG
Kimberly-Clark	Consumer goods	4.04	14.0	1.8	37%	KMB:NYQ
Link REIT	Real estate	4.27	4.8	4.9	388%	823:HKG
McDonalds	Food service	2.94	17.0	2.0	103%	MCD:NYQ
Microsoft	Infotech	2.10	11.7	4.1	76%	MSFT:NSQ
Nestle	Foodstuffs	3.03	19.3	1.7	25%	NESN:VTX
Petrochina	Oil	3.74	11.9	2.2	7%	857:HKG
Procter & Gamble	Consumer goods	3.16	17.3	1.8	34%	PG:NYQ
Reckitt Benckiser	Consumer goods	3.04	16.8	2.0	116%	RB:LSE
Syngenta	Agriculture	2.34	19.6	2.2	140%	SYNN:VTX
Telefonica	Telecoms	7.10	10.5	1.3	92%	TEF:MCE
Tesco	Distribution	3.02	14.9	2.2	47%	TSCO:LSE
Toshiba Plant Systems	Capital goods	1.37	13.6	5.4	203%	1983:TYO
Averages		3.58	14.3	2.3	94%	

* Earnings per share growth over the past four financial years

Master strategist Jeremy Grantham suggests two possible reasons:

► The changing population profile means there are more new retirees per new worker than there used to be.

"Retirees are selling stocks to pay the bills and to buy more conservative fixed-income investments… By the time they retire, they probably own blue chips, having sold down most of their speculative stocks in the decade before retirement."

► A second possibility, for which there is stronger circumstantial evidence, is that over the past ten years "institutions and even ultra-rich individuals have in general been increasing the share of their portfolios that is invested in private equity and hedge funds, commodities and real estate."

Even their equity holdings have been reshaped to include more foreign equities, emerging markets and small-caps.

Hedge funds “may feel that they do not get paid to buy Coca-Cola. And private equity firms, particularly now, do not go after many of the great franchise companies.

“What is being liquidated to buy all of this new stuff? Old-fashioned blue chip US equities and US government bonds.” Bonds do get support from official Chinese buying. But blue chip stocks “are on their own, without natural offsetting buyers.”

Grantham says various factors may continue to sustain the “modest mispricing” of quality stocks, but at some point “sensible money” will be drawn to them, and the “excess return” for investing in them “could be over 40 percentage points” of average annual return.

The Banking Conspiracy

It seems to have been left to a handful of financial journalists to expose the way the cabal of bankers, politicians and regulators governing global finance have conspired to cover up their guilt in bringing about the credit-based economic collapse. More worrying is the way they have diverted attention from the fundamental causes of the credit disaster and avoided enforcing the changes necessary to prevent a repeat -- thus ensuring that in future there will be an even bigger bust.

Much effort and publicity has been expended on useless activity that makes it seem as if the policymakers are fixing the problems when they are doing nothing of the sort:

► The new Basel III guidelines are a travesty. The minimum capital reserves for banks is to be raised to 7 per cent – but that doesn’t have to be done for nine years. In any case, the brilliant economist and writer John Kay points out: “The Basel regime based on capital controls proved useless in averting the crisis. Indeed, it was a principal cause of the regulatory arbitrage that led to the proliferation of complex debt instruments.”

Another commentator, Martin Wolf, argues that even 7 per cent “is far below levels markets would impose if investors did not continue to expect governments to bail out creditors in a crisis.” Without that, the markets might require own-capital requirements as high as 20 or 30 per cent.

► The stress tests designed to show that Europe’s banks are almost all financially sound were carefully structured to produce the desired pleasing result – and to hide the scale of the problems. Is it credible to assume that there is no risk at all in Greece’s sovereign debt, in which French and German banks have invested so heavily?

► European politicians are obsessed with imposing tough regulation on hedge funds and similar “alternative” investors. Yet the credit crisis didn’t come from that quarter, but from the much larger, extensively regulated financial institutions.

As Kay points out: “Alternative investment managers were small and heterogeneous, and their risk-taking was restrained by their own investors and by their market counterparties – their banks and principal brokers. Such regulation was more effective, it transpired, than official supervision.”

► Even more extraordinarily, American politicians have managed to pass a finance reform act that excludes the enormous financial institutions that were at the heart of the crisis and remain a huge part of the ongoing problem – Fannie Mae and Freddie Mac.

The pols want to retain their freedom to use these giant mortgage banks to promote their objectives – which includes continuing to encourage people to borrow who can’t afford to do so and shouldn’t be encouraged to go into debt.

► Breaking up the big banks has been avoided. Everyone now knows that if you are big enough and get into a mess, the politicians will rush to your rescue with taxpayers’ money. So it is safe to take on risks that would be too great if your investors, depositors and top management faced the peril of being wiped out.

If you can distract the regulators, as you were able to do so successfully in the past, with what amounts to a government guarantee you can pursue high-risk behaviour to inflate profits and executive bonuses. Furthermore, you can gain access to deposits and capital cheaper than your smaller competitors, putting you in a position to grow faster than them and get even larger.

Saving us (and themselves) from a near-death experience

Wolf angrily points out that “the financial industry is the only one with limitless access to the public purse and is as a result by far the most subsidized in the world,” despite its causing a crisis that was “a near-death experience” whose costs include “millions of unemployed and tens of trillions of dollars in lost output.”

► Banks have not been forced to split their socially beneficial functions of protecting savings and channelling them into productive economic activity (deserving of some state protection), from their speculative activities (which should be fully exposed to market risk).

It’s not so surprising that the latest chief exec appointments by megabanks have been men who made their reputation in gambling (sorry… “investment”) activities. Four of Europe’s biggest banks are now headed by such men, in spite of the massive losses incurred by such business divisions in the financial crisis.

Kay comments scathingly: “There is no possible justification for insurance by taxpayers of the exposure of market counterparties. To offer it exposes ordinary working people to risks of which they know nothing and whose rewards go to people far richer, and less scrupulous, than themselves.”

Wolf says that if the public wants a specific form of risk-taking to be subsidized – lending to small and medium-sized businesses, for example – this should be done directly. Subsidizing the banking system as a whole to persuade it to undertake what is a small part of its activity is “grotesquely inefficient.”

He says that as “the basic mechanism of financial meltdown… remains intact,” another credit crisis is “therefore inevitable.”

Booming Interest in Edible Resources

The $39 billion hostile bid by mining giant BHP Billiton for Canada’s PotashCorp has focused attention on long-term growth in demand for food crops, especially from China.

This year the Chinese government set an official target for 95 per cent national self-sufficiency in supply of wheat, rice, maize and tubers. That looks unrealistic given the shortage of additional land suitable for farming, and the growing demand for higher-quality foodstuffs from the country’s fast-expanding middle class, which means China will have to become more dependent on imported food.

People everywhere tend to eat more meat as they get wealthier. According to HIS Global Insight, Chinese demand for meat will rise by half if they graduate to eating as much as Germans or the British, or double if their consumption reaches American levels. They already eat more meat per head than other Asians such as Japanese.

This creates a huge longer-term problem for Beijing, as using grain to produce meat instead of consuming it directly requires seven times as much per kilo.

The Risks to Growth from Policies of Austerity

As this is now “a risky and dangerous time for the world economy,” the deep cuts in public spending the British government intends to implement next year will leave the UK “badly exposed to the new economic storm that is coming,” says Ed Balls, who for many years was a key policymaker as a close ally of former finance minister Gordon Brown.

A “perfect storm” is one where “continued deleveraging by banks and the private sector meets premature fiscal retrenchment from governments and a drastic tightening of consumer spending, as tax rises, benefit cuts and rising unemployment hit home."

Balls says cutting public spending and raising value added tax in these circumstances is "economically foolish." A lesson of history is that one should be wary of anyone who tells you that there is no alternative to a policy, or that something must be done because the markets demand it.

He identified several examples of major economic misjudgements that were supported at the time by the broad mass of expert and public opinion, with dissenting voices being silenced or ignored, including returning sterling to the gold standard in 1925, the savage spending cuts of 1931 and the austerity package of 1981.

He accused the new government of doing "the exact opposite" of what is needed for the British economy to ride out the coming storm, as it will hit household finances at the worst possible time, without achieving sustainable reduction in state debt or building market confidence.

"We do need a credible and medium-term plan to reduce the deficit and to reduce our level of national debt: a pre-announced plan.. based on a careful balance between employment, spending and taxation – but only once growth is fully secured and over a markedly longer period than the government is currently planning."

There is much about Balls' views that I disagree with, but I think he's right on this issue, which is critically important for policymakers, not only in Britain, but in many other countries. They shouldn't tighten now, planning to tighten only once recovery is assured.

This wave of financial hysteria over national debt levels ignores the fact that nearly all the current high growth in such debt is not due to irresponsible spending or failure to finance such spending through taxation, but is a consequence of the recession, which has slashed tax revenues and boosted welfare costs.

Too-high state debt is a problem that, in time, must be addressed. But not now.

Getting Rich Without Investment Decisions

I have long liked the idea of portfolios that operate according to a fixed formula, requiring little or no decisionmaking -- for investors without the skills, expertise or connections to manage actively themselves, but who are unwilling to accept the selection risk involved in picking funds or managers to do it for them.

I see that one of the most spectacularly successful collective vehicles in the US, the Permanent Portfolio, follows just such a formulaic approach, based on the concept advocated by the late Harry Browne.

He advocated keeping a quarter of your capital in each of four assets – equities, bonds, gold and cash. If on reviewing your portfolio once a year you saw that any asset class had fallen below 15 per cent or risen above 35 per cent, you would shift money to rebalance each of the holdings at 25 per cent.

The Permanent Portfolio fund, which now has assets of more than $5 billion, actually invests 20 per cent in gold, 5 per cent in silver, 10 per cent in Swiss francs and bonds, 15 per cent in real-estate and natural-resource stocks, 15 per cent in growth shares, 35 per cent in cash and US bonds. Its annual management fees are only ¾ of 1 per cent.

The fund has outperformed the US stock market average by 9 percentage points annually over the past five years and by 11.2 points annually over the past decade.

Grizzly Frauds

Japanese officials are discovering that some of the country's centenarians, supposed to number some 41,000, in fact died long ago – but continue to receive pensions and other benefits because their deaths are not reported by relatives.

According to a report in *The Times* of London, when officials went to inquire if Sogen Kato, supposedly Tokyo's oldest resident aged 111, would participate in "Respect the Elderly" festivities and insisted on seeing him, they found his mummified skeleton. He had been dead for 32 years. His family had been pocketing the equivalent of $120,000 of monthly pension payments, plus annual cash gifts.

This triggered a nationwide investigation into centenarians, with interesting results.

Tokyo's oldest woman, supposedly aged 113, could not to be found anywhere. An address given to police by her daughter turned out to be a car park. In Osaka more than 5,000 people aged over 120 are still officially alive but, as they are "missing," are almost certainly dead. The remains of another pension claimer, supposedly aged 104, Kikue Mitsuishi, were found cleaned and crushed, stored in her son's rucksack for more than a decade.

Of all the strange stories out of Japan, publicized by the media, and appreciated by collectors of cultural trivia, this must be one of the weirdest.

Tailpieces

Profits in China: The dominant themes in investment markets in China are those determined by government policy, says fund manager GTI.

Policy is now being driven by the run-up to the five-year changeover of officials due in early 2013. Local-government bureaucrats and their associated commercial interests are keen "to invest in projects and spend money" before their time in control of events runs out. That's what drove explosive bank loan growth in the first half of last year.

Central government policy now is to squeeze the cash flow of property developers to force them to develop their idle land banks. This is being done by restricting bank credit and tightening presale rules.

A consequent surge in supply of housing over coming months will depress property prices, cause highly geared smaller developers to fail – and bring us to the point where "the sector will be interesting again" for investors.

Investment strategy: The risk is rising that "the mature economies of Europe and North America are joining Japan into a decade of low growth and deflation," says Jan Loeys of investment bank J P Morgan.

He recommends that investors be overweight in regions, sectors and companies that are least vulnerable to deflation. In currencies that means underweighting the currencies of borrowing nations such as the US and New Zealand, relative to those of countries like Japan or Switzerland with their foreign trade surpluses.

Bond fund: If you are attracted to the idea of investing in the government securities of emerging economies, an interesting vehicle is Investec Emerging Markets Debt Fund, whose units are listed in the US, the UK and elsewhere.

It currently offers a yield of 6½ per cent, having delivered a total return of 40 per cent over the past three years. Currently its largest holdings are in the bonds of Turkey (14 per cent), South Africa (13 per cent) and Brazil (10 per cent).

The fund has an initial charge of 4½ per cent and an annual management charge of 1½ per cent.

Nuclear waste: In a follow-up to my article on atomic power, a reader suggests that the obvious safe place to dump all the world's nuclear waste is Canada's worked-out uranium mines, where the ambient radioactivity from natural uranium is considerably higher than that of reactor waste.

Oriental boost: Asia is expected to contribute more than half the world's economic growth this year.

Electric shock: Few consumers in the US or Britain would be willing to pay any more for an electric car than they would for a conventional one, according to a new study by the *FT*. That is really bad news for governments that have committed billions of dollars to promoting the concept, and for the automotive companies that have invested heavily in developing the vehicles. The new batterypowered models coming on to the market are going to be much more expensive than conventional cars, even with state subsidies.

UK dottiness diary: In Northern Ireland a 28-year-old spent three months in jail while awaiting trial, allegedly for carrying a knife when walking home with his fiancée. In fact what seemed to be a knife when viewed on closed-circuit TV was a single rose in a plastic sleeve – something that could easily have been established without locking him up. Case dismissed – without any compensation.

In Hampshire a couple of rail travellers were each fined for getting off their train two stops before the destination on their tickets.

Stimulus monkeys: Politics is a continuing source of amusement to those of us who don't have to suffer the consequences because we live far away.

I see that in the US a Republican senatorial candidate in Nevada, to highlight wasteful spending by the federal government, gave as an example a grant for research into the effects of cocaine on animals. Why, he asked, lavish funds on "coked-up stimulus moneys" instead of job creation.

Martin

Know someone you'd like to receive ►On Target ? Click on Reply and send me his/her email address. Or email your request to me at: afrodyn@afrodyn.plus.com.

►On Target is a free, private newsletter for Martin Spring's worldwide circle of friends and contacts. If you no longer wish to receive it, click on Reply, write "Unsubscribe," and Send.