►On Target

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The Outlook for Gold

What a wonderful decade it's been for investors in gold.

Ten years ago its price bottomed at $258 an ounce; a few days ago it rose above $1,500. Even allowing for the loss in purchasing power of the dollar – roughly 40 per cent against the euro over the period – gold has been the champion defensive asset, its value increasing strongly in terms of all currencies.

Where do we go from here?

Although there has been little change in the annual flow of newly-mined gold over the years, there have been dramatic changes in other components of the balance of supply and demand brought about by the sustained rise in prices since 2002:

► The most dramatic has been the change on the investment front. The explosion in private-sector demand, combined with a switch in central bank policies from selling their gold to buying it, added 1,624 tons to annual demand between 2002 and 2010.

► Offsetting that has been the impact of higher prices on the jewellery sector, depressing sales of new pieces and stimulating supply of "scrap" for recycling – mainly owners cashing in by selling their old jewellery back to the industry for melting down.

In combination, those factors added 1,472 tons to annual supply available for other purposes between 2002 and 2010 (that compares to supply of 2,689 tons of newly-mined gold last year). Annual supply of "scrap" (mainly old jewellery) rose by 809 tons over that period, while annual demand for jewellery manufacture fell by 663 tons.

► However, rising prices did not depress demand for gold for industrial purposes other than for jewellery manufacture – especially in electronics -- which rose by 281 tons a year over the period.

► The sustained trend for prices to rise motivated mining companies to run down their hedged positions, adding a net 334 tons to annual demand between 2002 and 2010.

Nevertheless, this didn't do much to encourage the mines to increase their output, which added less than 100 tons to annual supply over that period. When the gold price rises, mines tend to shift production into their lower-grade ores. That dampens their volume of output, but extends the lives of the mines.

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Looking ahead, most of the fundamental factors seem favourable.

Although demand from dehedging is disappearing – the overhang of the outstanding surplus of hedging contracts has now shrunk to less than 150 tons – trends in the more-important jewellery/scrap sector are turning favourable and starting to have a positive impact.

There are signs that demand for jewellery is adjusting to higher prices, while the supply of scrap is stabilizing – there are fewer owners keen to convert their old pieces into cash (although it's estimated that half the world's stockpile of gold built up over thousands of years – now about 166,000 tons – is held in the form of jewellery).

Investment demand, which last year accounted for a third of global demand for gold for all purposes, seems likely to grow in an environment of growing disquiet over sovereign debt and profligate "printing" of currencies.

Having made fools of themselves by selling off so much of their gold stocks too cheaply, the central banks of the advanced economies that still hold plenty of bullion are less keen to do so. The asset managers of developing nations are starting to view gold as an attractive alternative to reserve currencies.

The overall balance of activity by the official sector has swung from heavy sales to moderate purchases, amounting to a net 73 tons in 2010. They are predicted to reach about 250 tons this year.

Private-sector investors, too, are increasingly attracted to the precious metals. The University of Texas, for example, has just announced that it has moved a billion dollars -- 5 per cent of the assets of its endowment fund, the second largest in the US after Harvard's -- into gold.

In China, investors are emerging as a new major source of demand for bullion bars. It is growing at very high rates, perhaps as high as 40 per cent year-on-year, as banks increasingly make gold available to a wider group of customers. High inflation and negative real interest rates favour gold.

Chinese demand for gold jewellery is also surging ahead… perhaps by as much as 25 per cent this year. Gold retailers are adding hundreds of new stores, especially in the second- and third-grade cities.

On the global supply side, GFMS chairman Philip Klapwijk says mine production should grow about 4 per cent this year with the start-up of some large projects

Where Gold Comes From and Goes To

Metric tons

Supply

	2009	2010	Chg
Mine production	2,589	2,689	4%
Official sales	34	0	
Old gold scrap	1,695	1,645	-3%
Totals	4,318	4,334	0%

Demand

	2009	2010	Chg
Jewellery	1,814	2,017	11%
Other fabrication	697	763	9%
Official purchases	0		73
Dehedging	236	103	-56%
Investment	1,571	1,378	-12%
	4,318	4,334	0%

and redevelopment of previously-suspended operations.

Mining costs are rising fast, with average cash expenses in dollar terms up at $557 an ounce last year and "all-in" costs averaging $857, says GFMS. But high prices for gold leave handsome profit margins for producers not locked into old hedging contracts.

Historically, gold has tended to move inversely to the dollar – when the greenback strengthened, the yellow metal weakened.

But that relationship may have broken down. When the dollar rose powerfully between late 2009 and the middle of last year, gold did not fall back. In fact its price rose moderately in terms of the much stronger US currency.

Although the greenback has been significantly weaker this year, it would be unwise to assume that trend will continue for much longer.

The dollar's value in terms of other major currencies has fluctuated widely since its 2007 low, but it has not resumed its long-term downtrend of previous years.

Having fallen to a post-crisis low, it now looks ready for a rebound. The *FT* said a few days ago that the greenback reached "a classic point for chart-driven traders to start buying it again."

The collapse in silver over the past week could be the start of a wider, more sustained correction.

Although inflation fears have been driving up commodity prices, I expect the markets to be hit by a disinflation shock as it becomes clear that those fears are greatly exaggerated. The immediate effect of high prices for energy resources and industrial metals is to boost inflation, but their follow-on effect is to squeeze consumption and weaken general price-raising capacity. High food prices are largely a function of temporary factors.

Looking beyond inflation fears, the financial propaganda environment is turning negative for gold and the other rare metals as the headlines are increasingly dominated by talk of greater restraint in governments' spending and debt policies, the pending suspension of quantitative easing in the US, and rising interest rates.

Expect another round of panic

However, the supposedly "tough" policies by central banks and governments won't survive the next round of crises in finance and economic growth.

CLSA Asia-Pacific strategist Christopher Wood says that, unless there is clear evidence of a dramatic policy change such as Paul Volcker's stunning attack on inflation in the early 1980s, "investors should continue to assume that Washington follows past practice and votes for further monetary and fiscal stimulus at the first signs of fading economic momentum – or indeed of fading stock-market momentum."

With most of the major economies still generally underperforming and burdened by unemployment, the world is still a long way from being hit with the major rise in real interest rates that would torpedo the growth trend in precious metals prices.

One interesting development in precious metals is that investors are starting to differentiate between exchange traded funds. They are favouring ones that are the

most secure because they give direct ownership in a piece of gold, are stored in a financially sound bank, and are based in a country with a history of respecting the sanctity of individual private property.

In contrast, that is, to ETFs that are synthetic (based on a gold-price-linked promise by a financial institution), where there is no ownership of a specific piece of gold, where the bank is one of those giants with a history of dangerous mistakes, and/or where the location is risky based on historical precedent (the US banned private ownership of gold in 1933 using a "trading with the enemy" law).

Wood reports in this context that "inflows into the biggest New York-listed ETF, SPDR Gold Shares (GLD), have slowed in recent months, while inflows into the Zurich-listed Zürcher Kantonalbank (ZKB) Gold ETF have surged."

Owning metal is better than owning paper

Another interesting development is the start of some preference for ownership of physical bullion rather than paper certificates of any kind, whether based on derivatives or the security of some bank holding gold on your behalf.

John Dizard comments in *FTfm*: "The low transaction costs and ease of holding gold in the form of commodities exchanges' warehouse receipts, or shares in exchange traded funds, would suggest the rational way to invest in gold is through futures or ETF shares bought and sold electronically.

"But the lack of trust in central banks' and governments' integrity now has seeped into a general distrust of institutionally-managed assets." The rich and the middle class, increasingly in Europe as well as Asia and the Mideast, "are buying physical gold."

In effect they are making a bet that exchange control will make a comeback, even in Europe, and higher taxes will target the wealthy, encouraging them to hide their wealth in a traditional way.

Although ETFs have boomed, accumulating more than 2,000 tons of gold, such ownership is "on register." Physical holdings need not be, and can remain hidden from predatory politicians.

There is now faster acceleration in the build-up of such holdings in the forms of bullion or coins -- especially kilo bars, worth almost $50,000 apiece.

GFMS's Klapwijk suggests that gold prices could fall back into the high $1,300s within the next three months. But that will draw in bargain hunters. There is a "strong possibility" of the $1,600 level being breached in the second half of this year.

The changing financial environment and probability of a bounce-back in the dollar suggests that we will soon experience some weakness in gold significantly greater than we have already seen.

It will be nothing to worry about. Don't be tempted to take profits. In fact any significant correction in gold will be an opportunity to invest in more of it – certainly in physical bullion, and perhaps in the underperforming gold mining shares.

The Land of Dottiness

My annual pilgrimage to Britain to see family and friends has once again exposed me to the absurdities of a society where well-intentioned reforms, never properly thought through by policymakers, are producing unintended consequences and fertilizing the ground for political reaction.

► Judges have banned the deportation of hundreds of foreigners convicted of serious crimes, including murder, on the grounds it would breach their human rights. A new example is that of a convicted killer aged 22 who can't be extradited because that would breach his "right to a family life" – even though he isn't married, has no children, and lives with his parents.

Huge amounts of public money are spent on such people, including some high-profile promoters of Islamic terrorism, who are usually entitled to legal representation paid for by the state, and are often housed, fed and provided with all essentials at public expense.

The *Daily Telegraph* warned recently: "Voters are starting to view the whole notion of human rights with contempt, since their principal use appears to be, protect criminals."

► Judges are increasingly issuing secret "super-injunctions" that prohibit any reporting or discussion about the identity of celebrities caught in embarrassing situations, such as married television or sports stars who have sex "on the side."

Crazily, it is even illegal to report the existence of such injunctions. And in the latest case, the judge even extended the secrecy ban beyond the UK, imposing it on anyone, anywhere in the world, for ever.

Such injunctions are based on a clause in human rights law that was intended only to protect young children.

Now judges are using it to enforce privacy. But as the legal costs of obtaining these super-injunctions are so high – the equivalent of $50,000-80,000 -- they amount to a safeguard of human rights only available to the wealthy.

► The policy of appointing social reformers rather than experienced crime-fighters to top jobs in police forces has led to the inevitable consequence that policemen have become more focused on enforcing political absurdities to please their masters than on hunting down and convicting those guilty of real offences.

One of the most notorious examples was the conviction and imprisonment of Ronnie Hutton for "revving his car in a racist manner" near some Muslims.

Another was the student who was arrested and charged with a hate crime – homophobia – for jokingly saying to a police officer: "Do you realize your horse is gay?" The remark was said to hurt the feelings of the officer… and of his horse.

The latest idiocy is the arrest and prosecution of a pub entertainer for performing a version of the song *Kung Fu Fighting* deemed to be racist.

Fortunately in this case the police came up against commonsense judges, who threw out the case, saying the arresting officers "showed a fabulous stupidity, above and beyond the call of duty, allied to a craven and senseless political correctness."

Such action by police forces infers that "thousands of popular songs recorded over the past 50 years may be deemed racist, or sexist, of homophobic," contributing to the "national commitment to incalculable witlessness."

Not all the absurdities can be blamed on daft interpretations of well-intentioned laws:

► Local councils face a financial crisis because of cuts in the subsidies they receive from the government. They have to cut their spending, with many of them closing down socially important facilities such as libraries and youth centres.

Outrageously, however, some are actually increasing the pay of senior officials, and many continue to hire more people for jobs that are favoured by politicians caught up in currently fashionable ideological obsessions, but can hardly be considered essential.

A few examples: a healthy walks co-ordinator, a wood-fuel development officer, a Gypsy Romany liaison officer, a workplace travel co-ordinator. None of these are for councils run by Lefties, where you would expect such nonsense – they are all for local authorities controlled by the Conservatives.

► The duo currently at the top of British politics, Conservative prime minister David Cameron and his Liberal Democrat deputy Nick Clegg, have been making fools of themselves with clumsy attempts at social engineering.

Clegg launched a campaign to stop parents from using personal contacts to advance their children in the workplace, for example by securing internships in government through political friends or in the private sector through business associates, to gain work experience.

This ridiculous idea was immediately torpedoed by the embarrassing revelation that Clegg himself, with a background of privilege, got his first job in a bank through the influence of his father.

More serious, because of what it tells you about his personal beliefs and priorities, was David Cameron's public criticism of Oxford university for not doing enough to favour entry by students from deprived backgrounds educated at state schools. He gave as an example its admission of only one Black student last year.

His facts were wrong, as became immediately clear, but there is a broader issue. He, like previous prime minister Gordon Brown, who made a similar false accusation, is aiming at the wrong target.

Best route to the top scrapped by the politicians

The main reason why pupils from state schools are under-represented at the UK's top universities "is nothing to do with privilege," says Robin Mitchinson on his blog *whydonttheylistentous**. "It is everything to do with the lousy educational standards in too many state schools."

In former days grammar schools – fully or partially state-funded schools intended to teach the brightest 25 per cent, selected through examination -- were the route to the best universities for youngsters with ordinary backgrounds, many of whom rose to the top in business and public life.

Because of grammar schools, the leading universities drew a significantly higher proportion of their students from the state sector than they do today.

But socialist lunacy took control of state education policy. Most of the grammar schools were scrapped, and all the political parties – amazingly, including the Conservatives – remain opposed to allowing establishment of any new ones.

They prefer to retain a system that favours private education – generally of higher quality -- for those whose parents can afford it, thus penalizing social mobility and entrenching inequality brought about by wealth and inherited privilege.

An unpleasant aspect of this is that most of the leading politicians, including the socialists, liberals and pseudo-conservatives, coming from privileged backgrounds themselves, while preaching about social mobility, oppose the most effective way of promoting it – but buy private education for their own children.

No wonder the British public overwhelmingly hold their politicians as a class in such disrepute. I'm just amazed that they continue voting for them.

* *http://www.whydonttheylistentous.blogspot.com*

Rewards for the Fat and Powerful

The big banks caused the global credit crisis and the economic pain that is a consequence of it, yet have been the main beneficiaries of panic measures by governments to save them from collapse.

The political classes have addressed the problem of the danger in banks "too big to fail" by pursuing policies that fatten them even further, setting us up for an even bigger financial bust in some time in the future.

One of America's central bankers, Kansas City Fed president Thomas Hoenig, admits that banking giants' "huge" margin of competitive advantage over their smaller rivals is due in large part to the various measures of government support they've enjoyed. That has included abundant loans, cheap credit, implicit and explicit guarantees, and being able to dump many of their dodgiest loans on the taxpayer.

One of the main reasons for all that support was to safeguard and stimulate business activity – but banks are giving no priority to that. In the UK, for example, banks' net lending in the form of mortgage loans has fallen to its lowest level in 12 years. All the focus is on strengthening balance sheets and boosting profits (to which senior executives' bonuses are geared).

The banks claim that their low lending to home buyers and small businesses reflects poor demand for loans. But business minister Vince Cable is obviously right when he says that shortage of demand is a consequence of the way potential borrowers are treated. If they are discouraged from applying, for example by suggestions that they have no chance of getting a loan, why should they bother?

All this arrogance by bankers is going to make public opinion and the political climate even more hostile to them and their interests than it is already.

One sign of what's coming to them is that the Dutch parliament has passed a law imposing a 100 per cent tax on all bonuses paid since 2008 to executives of any bank or other company that received state support in the financial crisis. Well done!

Amsterdam professor Arnoud Bout says that in the Netherlands people no longer accept the principle that pay should be geared to profits achieved. They reckon "that the elite basically sets the rules in its own interests."

In the UK the reaction of critics to the Vickers report, with its weak proposals for banking reform, is that the banks have got away with it.

They say the commission failed to address the core issue of banks that are too big to be allowed to fail… which means, they are really too big to be allowed to continue existing in their present form.

Once would-be reformers shy from grasping the nettle of imposing separation of retail banking from the high-risk activities of investment banking – "leveraged speculation" -- it's inevitable that they'll get submerged in "arguments over detail where banking lobbyists are likely to prevail," says CLSA Asia-Pacific strategist Christopher Wood.

A business that is regarded as being too big, too complex or too diversified to fail, "cannot be tolerated in a competitive market economy," argues the respected analyst John Kay in the *FT*.

"A government backstop gives an overwhelming competitive advantage to large established firms and encourages the kind of risk-taking in which risk-takers receive much of the upside and little of the downside," he says.

Most of the costs that would be involved in requiring banks to divorce their investment activities would be those incurred in capitalizing and funding them, no longer having the support of a large retail deposit base and an implicit state guarantee.

Those costs are "a measure of the cross-subsidy that depositors – and the taxpayers – provide today." The banks' loss would be directly matched to the public gain.

Instead of divorce, the Vickers commission has opted for higher capital reserves. But would a level of reserves adequate for a traditional, conservative retail bank be appropriate for a conglomerate controlled by investment bankers?

Reaction to the Vickers proposals, Kay argues, suggests that the markets don't believe they will lead to conglomerate banks being allowed to fail when there's another crisis in their investment banking activities.

Inadequate protection against future risks of bankruptcy

When you read banks' propaganda about how expensive, unwise and unfair it is to force them to keep bigger reserves in the high single digits as a percentage of the loans they make, remember how thin that level of protection will be against future banking disasters.

According to research by the UK's central bank, the capital ratios that would serve the nation best would be of the order of 50 per cent of risk-weighted assets and 17 per cent of total assets. The internationally-agreed target called Basel III is merely to raise the level for risk-weighted assets from 7 per cent to 9½ per cent.

Banks that operate with such ratios, accepting that the risk involved is safe to carry because they are confident that the state will stand by them in any future crisis, are fattening themselves at taxpayers' expense.

Meanwhile, the British government is on the horns of a dilemma over Iceland -- whether to take the tiny North Atlantic nation to an international court over its refusal to repay, on the terms London demands, the money spent to compensate British savers for the deposits they lost when the Icelandic banks went bust.

► Britain would probably lose the case, which would focus attention on its government's extraordinary behaviour in the Icelandic banks affair. It compensated British depositors without any penalty for their taking higher interest from riskier investments, and used anti-terrorist legislation to seize Icelandic assets.

Tobias Fuchs, a German legal researcher, says Iceland is not in breach of European law governing deposit protection.

► However, should Britain win the case, that would have very serious legal implications in the event of any future systemic crisis as the UK is such a huge player in international finance. It would be open to enormous claims from foreigners for their lost deposits in British banks.

The ghastly mess in the global banking system is a long way from being solved – or being seriously addressed by policymakers. That failure has perilous implications for the future.

Profligate America

The International Monetary Fund says the US lacks a credible strategy to stabilize its mounting public debt, having planned for less than half the tax rises and spending cuts necessary to reduce the debt over the medium term.

The politicians are blamed for failing to address the problem, while squabbling over whether their pitiful efforts to do so should be focused more on raising taxes or cutting spending. But in fact the politicians are the captives of their voters. They know that while Americans give a lot of lip-service to the idea of cutting the fiscal deficit and stopping the build-up of public debt, they aren't prepared to pay the price themselves in higher taxes or reduced benefits.

And the shrewder ones know that their nation can continue with its policies of profligacy for a lot longer.

► If investors become unwilling to continue financing the fiscal deficit, the Fed will print the money needed, as it has already shown its willingness to do. It's the privilege that comes with being the global superpower.

► If foreigners grow unwilling to finance the foreign trade deficit, the dollar will weaken. That will strengthen the US's international competitiveness. And foreign investors will shoot themselves in the foot by destroying the real value of their dollar bonds.

► If the consequences are rising inflation, then that will be exactly what policymakers want. It will stimulate domestic demand, demolish the threat of deflation, and furtively erode the real burden of the national debt.

So why should American politicians do any more than posture?

When conditions start to become painful for voters, the politicians just find men of straw to blame. The latest example is the way President Obama has reacted to anger over the rise in the price of petrol to $4 a gallon. He blames it on speculators.

In fact it's clear that soaring oil prices are not being driven by speculators, but primarily by the plunging value of the dollar, which is a consequence of official policy. That policy also promotes speculation through continuing to make available a vast pool of cheap credit.

Longer-term, oil pricing pressures would be eased if companies were encouraged to develop production from the US's huge resources in shale deposits, offshore, and politically-protected conventional onshore resources. Instead, official policy prevents or discourages such production, while wasting zillions on promoting high-cost renewables.

Higher oil prices shaved US economic growth in the first quarter by ½ per cent to 2.6 per cent, according to Moody's economist Mark Zandi. He estimates that if prices average $100 a barrel for the rest of the year, it will depress economic growth, making it 0.3 per cent lower than if they had remained at 2010 levels. He says if oil averages $125 a barrel for a few months, it will reduce growth by 1 per cent. Prices averaging $150 would push the economy back into recession.

One indication of how much trouble the economy is still in, is that last year a record 18 per cent of personal income was in the form of welfare payments from the government, including social security, Medicare, food stamps, unemployment and similar benefits. Wages accounted for only 51 per cent of personal income – the lowest level since records began in 1929.

The weak recovery in residential property has disappeared. The latest figures show prices falling more than 3 per cent over 12 months, taking values almost back to the previous low in April 2009.

The Failure of Professional Advisers

The "overpaid" fund management industry is destroying $1.3 trillion of value a year, according to a draft report by IBM's Institute for Business Value.

This includes $300 billion in excess fees for actively-managed long-only funds that fail to beat their benchmarks, $250 billion charged by wealth management and advisory services that fail to deliver their promised above-benchmark returns, and $51 billion in hedge fund fees that also fall short of their targeted returns. Credit rating agencies, sell side research and trading are blamed for destroying a further $459 billion in value, largely due to the perceived inaccuracy of much of the analysis those sectors deliver.

Across the financial sector as a whole, the institute said "alpha generation" – ability to deliver index-beating returns – was "pitiful," despite the huge sums spent trying to achieve it.

How do they get away with it?

London commentator David Fuller blames investor gullibility. Although a handful of managers do outperform consistently, investors taken in by slick marketing and

the heady atmosphere of a bull market are willing to pay high fees charged by all the others, who are mediocre performers.

Although it's sometimes sensible to pay high fees for specialist knowledge and competitive performance, it's generally preferable to manage your own money. That's been my personal experience. But it does take a lot of time to hone your personal skills. And it does require building the self-confidence to take decisions that are usually contrary to the consensus of so-called expert opinion.

Tailpieces

A superior race? Chinese kids really are cleverer, or work much harder at their studies… or something.

Analysis of the latest National Pupil Database has revealed that in Britain Chinese pupils who come from the poorest communities not only outperform those of other races with a similarly deprived background – no surprise – but by the time they reach the age of 16 their results are better than those for white British children coming from the richest fifth of households.

My friend Robin Mitchinson says he understands that "in schools that have a high percentage of pupils of Chinese background, the standards of the school overall are raised because the intelligence and industriousness of Chinese pupils has a salutary impact on the whole body."

Chinese student outperformance is also a current topic in America, following the publication of a book by a Yale law professor, *Battle Hymn of the Tiger Mother*, suggesting that the key is Asian parents, who insist that their kids don't slack and work hard to get good grades.

New-found wealth: Israel seems to be on the way to becoming a major producer of oil and natural gas.

In its territorial waters out in the Mediterranean it is discovering massive gas deposits. Its Tamar field holds 8 trillion cubic feet. Its latest find, Leviathan, halfway to Cyprus, is twice as large. When in full production the two could yield gas worth $4 billion a year, and turn the beleaguered nation into a gas exporter.

Another reports claims that Israel has the second-biggest oil shale deposits in the world, which if ways can be found to exploit them commercially, would provide Saudi-scale reserves equivalent to 250 billion barrels of oil.

So claims Dr Harold Vinegar, former chief scientist of Royal Dutch Shell and now of the company working on techniques to exploit the shale, which covers 238 sq.km south and west of Jerusalem.

He reckons the techniques now being developed will extract oil at a marginal cost of about $35-40 a barrel – about the same as it's expected to cost to recover hydrocarbons from some of the deepwater fields off the coast of Brazil.

Bonanza for capitalists: The benefits of recovery in the advanced economies "seem to have been distributed almost entirely to the owners of capital rather than workers," *The Economist* reports.

"In America total real wages have risen by $168 billion since the recovery began, but that has been far outstripped by a $528 billion jump in profits."

In Germany, profits have risen by €159 billion, employee pay by €36 billion; in Britain, profits have gone up by £14 billion while real wages have actually fallen by £2 billion.

Osama bin Laden: One of the widely-promoted lies about torture is that it doesn't work because it always produces misinformation. Interesting to note, therefore, that the US success in locating and killing the leader of al-Queda depended on the discovery of the name of bin Laden's personal courier, which was only revealed after harsh interrogation of two prisoners at Guantanamo Bay. President Obama has been keen to claim the political coup as his own, but he did not refuse to allow it to be based on critically important information gained using techniques that he publicly denounced as torture and banned for future use by US interrogators.

Relocation opportunity: Employees whose jobs at a UK mobile phone company's call centre have been scrapped have been offered alternative positions… the other side of the world. They were told they could relocate to Manila in the Philippines – for pay of about $300 a month "with a rice allowance and a laundry allowance." Apparently only "a very small number of employees" expressed an interest in doing so.

Climate change: Back in 2005 the United Nations Environmental Program predicted that by 2010 climate change would create 50 million "climate refugees," many of them fleeing rising sea levels. It even published a map showing the islands and coastal areas likely to be inundated.

Fast forward to this year. The UN has quietly removed the forecast, and the map, from its website.

Changing times: Media were provided with full access and facilities at Westminster Abbey to broadcast Britain's sumptuous royal wedding to billions of watchers around the world. How different things were when the prince who would later become King George VI married in 1923. The BBC was rebuffed by the Abbey because "disrespectful people might hear the service, perhaps some of them sitting in public houses with their hats on."

Rival to the dollar: One indication of the rapidity of the emergence of the yuan as the currency of choice in international trade is that last year less than 1 per cent of China's foreign trade was settled in yuan; in the first quarter of this year, 7 per cent.

UK dottiness diary: An Oxford University professor is campaigning against people describing their dogs and cats as "pets." They should, he says, be called "companion animals". Furthermore, foxes, badgers and the like ought not to be described as "wild animals," as that infers they are in some way "uncivilized."

Martin

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