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The Curse of the Guarantee

1. From Bear Stearns to Greece

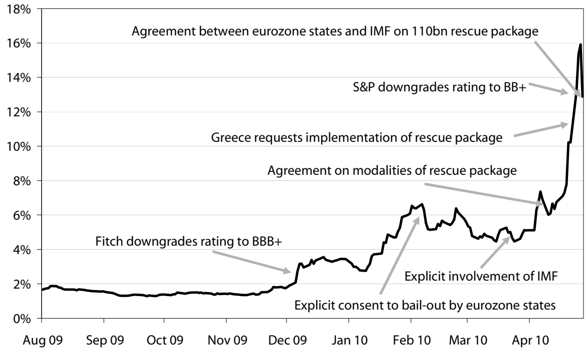
The memories of 2008 are too fresh for it to be possible for a bit of sweet-talking in the form of a 110 billion package to transform blank horror into blind faith. It will be absolutely fascinating to watch how efficiently the financial markets deal with Greece's debt crisis and the further efforts of the European Union, the European Central Bank and the International Monetary Fund. So far, they have believed nothing they've heard. Over the past three months, one rescue plan after another has been negotiated and announced, but the yields on outstanding Greek bonds have fallen only insignificantly or briefly, and then resumed their rise to ever higher and more threatening levels.

Until shortly before this Investment Commentary went to press, the interest on a two-year bond was around 13 percent, and this despite the promise of a 45 billion rescue package on preferential terms from the eurozone states and the IMF. The promise obviously left market forces cold; given the size of the overall debt, the opinion prevailed that it would take a lot more money in the end. Obviously rightly, as now confirmed by the rescue package being increased to 110 billion euros.

There is a level of interest at which the financing of a debtor's liabilities becomes a hopeless task, because it becomes utterly impossible to pay even the interest, let alone the loan, by means of economic potential and fiscal levies.

Promises unheard

Yield on Greek government bonds (2-yr)



Source: Bloomberg

"Economic potential" cannot be commanded. Rather, it is a delicate plant, that rapidly wilts at the prospect of exorbitant taxation. The total debt of some 280 billion euros outstanding on the capital markets simply looks too big in relation to GDP of 240 billion euros for internal restructuring to seem likely to be successful.

That was also the thinking on the financial markets, until the increase in the rescue package – it was obviously thought that a reduction in the level of debt would be essential. The jargon expression for this is a "haircut", which is somewhat euphemistic, given that what essentially happens is that the creditor must write off part of the loan

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– 20, 30 or perhaps even 50 percent. To prevent the haircut being perceived as the kind of close shave that leaves scars on the scalp, it can be disguised as an extension of the maturity, at lower interest rates, or something similar. The reality of the creditor's share in the loss remains the same.

Illiquidity and/or insolvency: that is the question. "The creditor's share in the loss": this is the ghost to be laid at all cost. With the use of expressions like "support" and "help", the presumption is created that, with a great deal of liquidity and the announcement of "credible" (whatever that may mean) efforts on the part of the Greeks, the crisis will be overcome. Illiquidity and/or insolvency: that has been the question during the whole financial crisis. Only a few economists, including, for example, the eminent Anna Schwarz, were bold enough to speak of insolvent banks, and to question the sense of liquidity injections. And superficially, these prophets of gloom seem to have been proved wrong. For it was precisely with liquidity, and yet more liquidity that the financial crisis was ultimately overcome. So why shouldn't it work this time?

To see why, we need to look more closely at the connections between the financial crisis and the Bear Stearns episode, and the euro-crisis and the situation with Greece. As we know, in the financial crisis, Bear Stearns was the first emergency case within the system. Illiquid, or more properly, insolvent, in mid-March 2008 the quasi-bank should have been overtaken by the fate that normally befalls enterprises that manoeuvre themselves into a dead-end through imprudent business practices, intransparency and questionable future prospects: insolvency, bankruptcy or at the least a total loss for the shareholders and a "haircut" for the creditors. Instead, the regulatory authorities, the central banks and indeed their competitors opted for a rescue operation, which effectively amounted to a rescue for the creditors and their assets. Even the previous shareholders were protected! By decree, Bear Stearns was absorbed into its competitor, J. P. Morgan, and ceased to exist as an independent company. A not much more becoming end for a company than bankruptcy. But as a result, for some time thereafter, it was believed that banks and creditors could be "saved". Calm prevailed on the markets for a while; this helped the financial system to survive the summer of 2008, only to encounter a far more serious crisis in September. The end of Lehman Brothers, a much larger investment bank, brought the system to the very edge of collapse, and the subsequent rescue measures for similarly challenged banks, such as Citigroup, RBS, UBS and most of the German Landesbanken have, as we know, cost most national budgets between one and two trillion dollars.

The experts are pretty much agreed: the bankruptcy of Bear Stearns would probably have produced a better result for all concerned. On a relatively small scale, it would have sent the right signals to the market at the right time: there is no rescue, no guarantee of repayment for creditors. Instead, it was made plain for all to see that a partial or complete default was highly unlikely, and then, as market forces returned to incredulity, an example was made of Lehman Brothers, the wrong object, with the result that it then became necessary to use state funds to issue a general guarantee for all the creditors of all the banks.

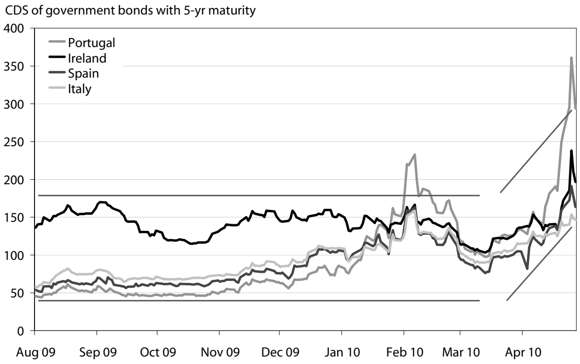
What has worked to some extent for the financial system – so far, at least, and, as we have seen, with disastrous consequences for national budgets – is unlikely to work for state debtors. For what the financial markets have realised is that there is no creditor of last resort to carry the unlimited burden. They have come to terms with a haircut, and maybe with worse. There is no other explanation for rising yields in the face of the announcement of rescue packages.

2. A classic dilemma

Against a market so far characterised by disbelief, there are voices raised in favour of the Bear Stearns approach – mainly politicians, of course, but also a few economists. Their main argument is the danger of contagion. It is essential to ensure that other countries with stressed finances are not sucked into the downward spiral of ever-increasing yields. Or, put differently, to be exposed to the expectation of an imminent, or at least potential, haircut.

That the danger of contagion is real is shown by the behaviour of Credit Default Swaps (CDS) – that is, the insurance premium against bankruptcy – for the debt of some countries now under the scrutiny of market forces, such as Portugal, Spain, Ireland and Italy. It is an interesting question why Italy appears relatively stable – its debt situation is, as we shall see, by no means better than Greece's. Is the awareness of imminent bankruptcy gnawing its way from the periphery into the heart of Europe? The figure below shows the development of CDS over the past months. Will the rescue package avert the danger of contagion, or rather, for how long?

A peculiar kind of solidarity in the eurozone



Source: Bloomberg

Once again, the same old arguments recall the spring of 2008. To preserve the vast majority of players in the financial system from hefty risk premiums, it was then said, it's necessary to more or less eliminate risk as such, by means of generous guarantees. The experience of 2008 teaches us that not only did this approach stop working relatively quickly, but that it ultimately resulted in large-scale, explicit and extremely expensive rescue operations.

So, we are confronted by two contradictory lines of argument. According to one, it would be intelligent and sensible to put out the fire before it gets going. The other, more sceptical approach firstly doubts the medium-term effectiveness of such measures, and secondly, fears that it involves swapping a large problem for a far larger, unmanageable one that will threaten everything and everyone.

The dilemma is agonising. A haircut for Greek state debt would be no stroll in the park. It would undoubtedly have a dramatic impact on the outstanding debt of the other eurozone countries listed above. Should solidarity with Greece – for whatever reason it is stipulated – not work, then it would not be available for the other distressed countries. This would necessitate the repricing of their outstanding debt, which would amount to a crash in a specific section of the bond market.

Creditors too might find themselves in difficulties, particularly the banks of the countries concerned, which use domestic government bonds to manage their liquidity with the central bank. The ECB would face very serious problems in continuing to provide these countries with liquidity. The risk exposure of the whole international banking system can only be a matter of conjecture, as it is not known to what extent individual balance sheet positions are hedged with CDS, who the counterparties for these CDS are, and how economically stable they are. Sadly, it may well be suspected that the unreserved acceptance of Greek and other similar government bonds as security for ECB loans will result in some unpleasant surprises for the European banking system. Such "deals" were far too attractive not to have proved popular…

And then there are all the other creditors: the pension funds, the insurance companies, private investors. They would all have to accept write-downs that would ostensibly have anything other than a beneficial affect on the still fragile state of the economy. It could even be argued that such a Greek haircut has the potential to tip Europe back into recession and definitively uncouple the Old Continent from the global economy.

Simply including the – from an overall perspective – low level of Greek risk in the calculations does not go far enough for the haircut option. The debts of other fiscally shaky countries would also be affected; the impact of such a shock would undoubtedly be substantial. But the haircut also has obvious advantages. The reduction of their debt mountains would mean that the countries concerned would at least have a genuine opportunity to take credible measures to extract themselves from the mess, the drama of the reforms would be reduced by a degree of symmetry in the sacrifices involved, and this would enhance the probability of success. The outlook for the people involved would not be restricted to ten or twenty years of higher taxes, but would also include some hope of better times to come. Furthermore: creditors sharing responsibility reflects the logic of the market. The euro's Maastricht regulatory corset is well known to prohibit bail-outs – that is, the rescue of defaulting members by the community. Why then should creditors, who must have been aware of this, now suddenly be rewarded by being rescued? The borrowing and lending of money is a business based on reciprocity, with no right to preferential treatment on either side. In this context, it should also be mentioned that the real possibility of haircuts or even bankruptcy for nation states would at last result in market rates for risk premiums in the eurozone, with the advantage that sound state finances would suddenly be worthwhile.

The disadvantages of a rescue for Greece with no consequences for creditors, as stipulated in the current EU/IMF package, lie firstly in the uncertainty that such generosity would give rise to. For sooner or later the question would have to be asked on the financial markets: Who will rescue the rescuers? This firstly with regard to countries already distressed today, such as Portugal, Ireland or Spain, which must also contribute to the rescue package – on the basis of their shares in the ECB, Portugal's contribution amounts to 1,400 million euros, and Spain's to 6,500 million. There is an obvious danger that, after the billions of rescue money have flowed to Greece, doubts will arise about the feasibility of restructuring over-indebted national economies in general. The real nuclear meltdown situation here would undoubtedly be Italy. But honestly, is the financial situation of Germany, the most important of the nations coming to the rescue, really all that comfortable?

A ubiquitous blood-red abyss

	Greece		Italy		Germany	
	Absolute	In % of GDP	Absolute	In % of GDP	Absolute	In % of GDP
2007	235	104%	1732	112%	1578	65%
2010	293	123%	1975	127%	2004	82%
2011	309	130%	2080	130%	2132	85%

Note: 2010 and 2011 are estimates.
Source: Cecchetti, Mohntany and Zampolli (2010), The Future of Public Debt. BIS Working Papers No 300.

Italy has the potential to become the "Lehman Brothers case" among nation states. Neither the euro nor the EU would survive such a case. This requires closer consideration in the following sections. One thing, however, is clear a priori: Germany and chancellor Merkel were in a difficult predicament. According to the *Wall Street Journal*, Italy's foreign minister, Franco Frattini, accused her of "intransigence". So, we find people claiming to be trying to save the euro, but, for the lack of good arguments, using expressions the like of which have not been heard in intra-European intercourse for a very long time.

3. Too big to rescue

That we make a comparison between the Bear Stearns affair and Greece is no accident, for in both cases the same structural defect seems to be present that led to the difficult, indeed disastrous problems. What was the trigger for the financial crisis? The overindebtedness of the banks. Why were they overindebted? Because they had engaged in supposedly risk-free own-account trading. Why was this trading regarded as risk-free? Because it was based on supposedly risk-free mortgages. Why were the mortgages regarded as risk-free? Because they were "guaranteed" by the quasi-state agencies Fannie Mae and Freddie Mac, and because all American administrations, of whatever political colour, had so stimulated the private real-estate market that an apparently perpetual rise in real-estate prices was regarded as certain, as "guaranteed".

Furthermore, the banks as such – that is, the very big ones – were also regarded as unassailably "safe". The Investment Commentary identified the "too big to fail" issue – that is, the implicit state guarantee – as a dangerous institutional arrangement at an early stage. With hindsight it must also be said that a further element was added to this cumulation of supposed or actual guarantees: a kind of systemic guarantee that ensured liquidity throughout all the ramifications of the modern financial universe with all its derivatives. At all events, the regulatory corsets such as "Basle II" were based almost axiomatically on this assumption, thus generating a self-fulfilling prophecy: whatever is regarded as liquid is therefore liquid, and it is liquid because it is regarded as being liquid. The systemic guarantee was (and is) devoid of content.

Faced with the threat of contagion, the incentives to maintain a system based on "guarantees" that are in logical or economic terms entirely unfulfillable, if mutually supportive, become enormously powerful. After the virtual collapse of the financial system in the wake of the bankruptcy of Lehman Brothers, the governments and the central banks did everything in their power to re-establish belief in the invincibility of the system. Successfully. At enormous cost, a guarantee for the unguaranteeable was established. Credibility was re-established – at least provisionally. Risk premiums in interbank trading have dropped back to pre-crisis levels. The world is carrying on as if there had never been a crisis, as if the balance sheets of the big financial conglomerates like Citigroup, Bank of America, J.P. Morgan, UBS, Credit Suisse, Deutsche Bank and so on have suddenly become wholly transparent and unobjectionable. The figure below very clearly portrays creditors' new-found trust in the financial system, and the reports of "sensational" earnings by the banks in the last quarter tops the bill – though, as was previously usually the case, the benefits have mostly found their way into the pockets of the managers.

Risk premiums: lower than before the crisis

Note: TED spread = 3-mth US Libor – 3-mth US T-bill
Source: Bloomberg

This is exactly what the advocates of a rescue operation for Greece – cost what it will – had in mind. They want, at any price, to get back to the comfortable conditions prevailing before the crisis. This is what politicians like Frattini, Zapatero, Lagarde and Olli Rehn mean by "saving the euro". Obviously with all possible assurances and undertakings that – just like with the financial system – everything would be better from now on. What for the banks may be higher equity requirements, more liquidity, restrictions on own-account trading, the taxation of bonuses, and compulsory contributions to IMF security funds, may correspond for nation states to all the many constraints that the Greeks are now being burdened with, after having been allowed to mismanage their economy unconditionally for decades.

Will this exercise in reassurance be successful? Will the rescue packages generate new confidence in the eurozone? Will the risk premiums for all the member countries return to pre-crisis levels, as has been the case for the financial system? We beg leave to doubt this. For there is one major difference between the past financial crisis and the state financial crisis in the eurozone: in the previous case there was an ultimate guarantor; this time there isn't. For if there is now to be an attempt to bail out "Bear Stearns/Greece" – with a rescue package first of 45 billion euros, but now apparently of 110 billion euros over the next three years – then, properly speaking, we should also extrapolate the costs for the "Lehman/Portugal, Spain, Ireland, Italy" case.

What follows might be dismissible as pessimistic propaganda. It is undoubtedly the case that the specific situations of the individual debtor countries require rigorous analysis of their debt servicing, repayment ability and financial possibilities. We know, for example, that Italy finances a great part of its debt internally (through long-standing tax benefits for creditors). For Spain, the problem is not so much explicit debt, but rather the miserable economic prospects after the bursting of the real-estate bubble, and record unemployment. Nevertheless, we regard it as legitimate to calculate the rescue package envisaged for Greece and to apply the results to the eurozone as a whole. For, even taking all the differences into consideration, debt is debt, and once a particular level is reached in the mood of crisis, creditors no longer differentiate, but are united in panic. Furthermore, differentiation can also reveal negative differences to Greece. The concentration of Italian state debt in the portfolios of individual Italians could be interpreted as inadequate diversification, as a risk cluster or as a tautological construct, a malignant Ponzi scheme.

The 1 trillion problem

	Greece	Portugal	Ireland	Spain	Italy	Total
Debt	273,407	125,910	104,667	559,650	1,760,765	2,824,399
in % of GDP	115%	77%	64%	53%	116%	90%
GDP	237,494	163,891	163,543	1,051,151	1,520,870	3,136,949
Rescue package	110,000	33,806	23,411	104,134	712,421	983,772

Note: Estimates based on state debt in percent of GDP; absolute figures in EUR million.
Source: Eurostat, analysis

We are of the strongly held opinion that the collective contravention of the Maastricht Agreement represented by the rescue package for Greece, and allegedly for the "benefit" of the eurozone, will, in the medium term at least, seriously endanger the more stable countries, such as Germany and Holland. One billion euros: there are political and economic limits to solidarity, even European solidarity.

4. Urgently needed: rules for bankruptcy and restructuring

In the wake of the financial crisis, which, as we have seen, has been resolved for now with a general bail-out, a rescue package for all, there are basically two schools of thought concerning how to handle large-scale debtors like banks and insurers. One wishes to take all possible measures to organise their structures so that a collapse would no longer be conceivable. Should it nevertheless occur, contrary to all expectations, then a body of last resort, such as an IMF rescue fund, would have to intervene. The other assumes a priori that the possibility of collapse, for whatever internal or external reasons, can never be entirely ruled out. So, not only should collapse be possible, it should be prepared for. Accordingly, the proponents of this school of thought advocate in particular, in addition to all the ideas about the regulatory strengthening of operational structures, bankruptcy and restructuring legislation precisely tailored to such enterprises. Thus, they would like to make it possible in an emergency to convert debt specifically reserved for this purpose into equity, at the stroke of a pen, so to speak, and with clear rules for the dilution of shareholdings. These proposals for a "debt-to-equity swap" represent a version, formulated for the big players in the financial system, of the haircut for creditors mentioned above, which enables the debtor to survive. Other proposals regulate the partial winding up of the victim, with "system-relevant" components being carved out by decree, which requires pre-determined breakpoints.

Which of the two schools of thought proves the winner – the technocratic system-perfectionists or the regulatory damage-limitationists – is still entirely open. The variety and complexity of the current proposals and initiatives often makes it difficult to classify them. But we believe that the question is one of existential importance for the future of the West's market structures. What the system perfectionists ultimately strive for is the complete absence of accidents, the complete absence of risk, achieved through intelligent design and a centrally managed reinsurance system for the (theoretically inconceivable) worst case. There are three reasons why this school of thought must be in error:

1. No design, however intelligent, can ever cater for every possible future event. Ultimately, this is a matter of a deterministic world view.
2. It is not possible to answer the question of what sort of investments the rescue fund would require in order to retain its intrinsic value in the (theoretically inconceivable) worst case.
3. Because it gives rise to non-existent risk premiums, supposed or actual freedom from accidents generates distortions in the markets: exactly those incentives for creditors and debtors that resulted in the excesses that unleashed the crisis.

The technocratic school of thought embraces a paradigmatically wrong expectation of how markets function. A market functions well, not when there can be no more losses, risks or bankruptcies, but when the management of risk is properly regulated, and as far as possible affects only those who cause it. In the case of debt this is both creditor and debtor. A system in which both creditor and debtor have a claim on rescue has little or nothing to do with a market. Rather, it is a more or less clandestine redistribution scheme at the expense of a more or less unaware and defenceless general public.

Precisely this issue now arises in the eurosystem. The system perfectionists claim that they can get Greece on the appropriate path of thrift. But at the same time they too contravene the measures demanded of the Greeks, in a similar fashion but possibly even more crassly. They wish to guard against similar events in the future by means of a "European currency fund". How big this fund would have to be, what investments it would need to contain (Greek government bonds?), under what circumstances it could be activated, what governance it would require: about all this, we hear nothing. Nor do we hear anything about what consequences the continuation, despite the prohibition on bail-outs in the Maastricht Agreement, of this regime of preferential treatment for structurally challenged debtors and craven creditors – the former are continually rescued and the latter enjoy permanent protection of their investments – will have for the euro as a currency and the structurally strong countries. The incentive system penalises the industrious.

To protect the industrious, and in the long-term interest of the whole, what Europe now needs is the appearance of forces that can put a stop to this technocratic mischief. What is needed is a return to generally applicable rules. That means that the Maastricht regulatory system must be supplemented with a process for dealing with defaulting members of the eurosystem. "Haircut" is easily said, but it is not so easy to implement, for a priori the greatest possible clarity must be created on whom it affects and to what extent, what the exact process is, how any rescue packages would go together with blood-letting for creditors, and how far there would be any prospect of redemption for certificates of unpaid debt. But Maastricht would also need to contain ultimate sanctions against a country that endangered the community as a whole. The Swiss federal constitution includes federal executive powers, and "execution by substitution" by the Federation, which can take action when the cantons are no longer in a position to perform their tasks. However militaristic the expression may sound, the weapon is no less essential, if expulsion from the community is to be ruled out. In the worst case, the choice is between compulsion and collapse. The mere existence of an ultimate deterrent is usually sufficient to prevent it being required.

5. A philosophical question

In our view, it is no accident that the limits of technocratic thinking have been revealed precisely with the euro and in Europe. For nowhere else in the world has the zeitgeist become so fixated on the idea that everything can be done than on the Old Continent. The matching pair to "guarantee" in whatever form is "entitlement". Europe is the continent of entitlement. From the cradle to the grave, people are entitled. If their parents cannot or will not bring them up, then they are entitled to a place in the crèche – heavily subsidised or free, of course. Unemployed youths get more benefits than they would earn if they worked – not necessarily in the occupation they had trained for. Those fortunate enough to have a job are of course entitled to five or more weeks of holiday, a minimum wage and limited weekly hours. The ever-expanding wave of consumer protection has a great deal to do with the idea of entitlement: increasingly the delivery of performance or the fulfilling of contacts are no longer regarded as matters between contractual partners, but as public functions. And there is of course an entitlement to free high-tech medical care. According to the *New York Times*, there is in Greece a list of over 580 jobs legally defined as "hazardous professions", in which women are entitled to retire at 50 and men at 55. These "hazardous professions" include ladies' hairdressers, because they have to use chemicals, and the brass section of the orchestra, because too much oompah-oompah can give you reflux. President Sarkozy of France has made tentative efforts to engage in discussions with the trades unions over raising the retirement age to 60 – a dangerous undertaking when we consider the importance attached in France to entitlement to *la retraite*. The only thing more dangerous than this would be any attack on weekly working hours. When a Swiss package-tour group was stranded in Egypt by the Icelandic volcanic ash, they issued loud demands, transmitted via the compliant media, for compensation by the state.

Claims on the collective have become the European ersatz religion. Until recently, few obviously paused to consider that the collective can be no more productive than the sum of the productivity of all its individual claimants. The European zeitgeist is unwilling to recognise either misfortune and strokes of fate, or good fortune and success. The industrious and productive are met with envy. The Greek past is forgotten, in whose mythology the Orestaea spelled out the inevitability of misfortune; forgotten too, the Old Testament story of Job, in which misfortune afflicts the innocent and the guilty triumph. Europe has lost the roots of its cultural history, indulges in the hubris of believing that everything can be done, and is now brought down by the limitations of individuals and institutions.

In this state, we are by no means equipped for global competition. Even if, by some wonderful turn of events, the current euro-crisis is once again averted, we will still be very poorly placed against societies that are less familiar with the entitlement mentality. From the experience of many years of communism, the Chinese are well aware that there is no relying on the collective. They seek their "guarantees", if at all, within the family. Moslems are unfamiliar with entitlement: the prohibition of interest is based precisely on the immorality of a set return. We may regard this as anachronistic, but we should refrain from presumptuous judgement, for the equal balance of responsibility between debtor and creditor is better reflected in Islamic banking than in our system. Indeed, despite all our scepticism with regard to the USA, it must be admitted that its natural, indigenous patterns of "hire and fire" and "boom and bust" better reflect the *condition humaine* of success and failure than the European expectation of guaranteed returns.

Europe faces the choice between laying aside the curse of the guarantee, the curse of entitlement, and not doing so. "Bear Stearns/Greece" would have been a unique opportunity to do so on relatively advantageous terms. Any subsequent clean-up – and there will be one – will undoubtedly be more expensive.

6. What about investors?

Look at it how you like, investors and their advisors have, for almost three years now, been both audience and players in a unique drama. One inefficiency after another has been eliminated by the power of the financial markets. First up were American real estate and mortgages; then the banks that were so deeply involved in this business. Then the focus shifted to excesses and intransparency in derivatives trading; banks' proprietary trading positions were discovered where they would never have been expected: at the German Landesbanken, for instance. Now, more or less the same thing is happening with the debt of certain states. To accuse the financial markets (hedge funds and other speculators) of responsibility for these inconveniences would occur only to ignorant or populist politicians.

Whether currencies and nominal values such as government bonds and the like retain their value during this correction brought about by market forces will depend on the extent to which this current crisis can be averted, or at least mitigated by new, and even higher debt. Our view is clear: any further leverage will result, sooner or later, in a greater catastrophe; the only remedy lies in a restructuring of the debt: that is, a partial or complete write-off. The danger then, analogous to the financial crisis, when the banks suddenly ceased to trust one another, that there might be a serious breakdown in trust between states is an entirely realistic scenario.

The rescue plan for Greece is some indication of the direction in which the decisions are actually going. There is a significant probability of the wrong decision – for short-term relief and against long-term restructuring – being taken. In this case, government bonds, indeed nominal values in general, would remain a latently threatened investment category. With the zero-interest-rate policy, investors receive no reward for risk. What is to be done? Despite the nervousness on the stock market, we stand by our recommendation, made some while ago, to reduce the potential loss on nominal values by means of stock investments. For all the evidence from economic history indicates that shares held in businesses have been more resistant than claims on repayment by the state. Those who wisher to be particularly cautious can hedge against the collapse of their domestic currency with a targeted real-value portfolio, and attempt to compensate for the risk exposure in government or quasi-government nominal values immanent in virtually all assets.

What we recommend, in other words, is to exchange supposed certainty for explicit uncertainty. That may appear contradictory, but it isn't if we accept that there is no guarantee, and that spurious guarantees are the curse of mankind.

KH, 3.05.2010