Exclusive Interview With Diapason's Sean Corrigan

Submitted by Tyler Durden on 10/23/2011 13:17 -0400

Zero Hedge has the pleasure to bring its readers this extensive Q&A with one of the most prominent voices of "Austrian" economic sensibility, and foremost experts on capital markets and commodities:Diapason's Sean Corrigan, who has repeatedly graced our pages in the past and who always provides a much needed '*on the ground*' perspective on his native Europe. Among the numerous topics discussed are the Eurozone, its collapse, its insolvent banks, and the EFSF as the *Swiss Army Knife ex Machina*; the 3rd year anniversary of Lehman's failure and what lessons have been learned (if any); how to fix the US economy; on Goldman's relentless attempts to intervene in, and define, US monetary policy; what the Fed's role should be (if any) in the economy and capital markets; his views on the Occupy Wall Street movement; his advice to an inexperienced 25 year old looking to make their way in the world; And lastly, the $64K question: what is the endgame. *A fascinating **must read**.*

Interview with Sean Corrigan:

1. Q1 EFSF.

We here at ZeroHedge have labelled the EFSF as an off balance sheet CDO, whose purpose is to buy the toxic assets (in this case sovereign bonds) of the ECB and the EU, all under the safety of a AAA rating. The amended EFSF of July 21, 2011 will aim at having a lending capacity of €440B. With rumors about bank recapitalization and monoline type guarantees that will leverage the fund to €2T. The EU/ECB has been committed to "avoiding contagion" since the Greece issue started 2 years ago, and as of October 2011 we are now talking about France losing its AAA rating. Do you believe that this expansion of the EFSF both in Euro terms and the mandate of the fund, will be enough to contain the debt contagion worries? Or is it actually necessary for what is currently implicit, that Germany is the de facto leader of Europe for the third time in 100 years, to become explicit?

Answer: The best answer to worries about 'debt contagion' is to make clear to all the counterparties concerned just what exactly is on whose balance sheet and at what price and to stop playing accounting tricks in order to paper over the holes created by all the bad lending practices indulged in during the Boom – missteps since repeated in some cases in the attempt to game the Eurozone's initial bail-out procedures in its aftermath!

It is also a little ironic that the entities most likely to spread any such 'contagion' are largely the same ones who are hoping that they can get a huge slug of Other People's Money – without too many onerous conditions attached – poured in to prevent said contagion from impacting their bonus pools too adversely– namely the trading desks of the selfsame European banks!

As for the EFSF/ESM, insofar as we even need a 'rescue fund' at all, why do we need anything more than a temporary bridging mechanism – a kind of cash-rich clearing house where failing businesses – banks above all! – can transfer their assets to the thriving ones as rapidly as possible and where debt to equity conversions can be undertaken (not least by overstretched state borrowers) at a

price consistent with their continued employment in an independent, self-reliant, going concern?

Will we get any of this detached minimalism in practice? Highly unlikely, of course, for our fat political turkeys will not willingly vote for a Poujadist Christmas! So we are left with trying all the idiot savant ways we can transfer from the playbooks of AIG, Enron and Lehman (and maybe Madoff!) to preserve the status quo ante.

What we have to hope is that the very fact that the debate has become so contentiously aired outside the smoke-filled rooms of Brussels; that national Parliaments are refusing to be presented with yet another executive fait accompli; and that respected figures like Otmar Issing are warning against the seduction of financial 'alchemy' while making overt references to their conduciveness to a rerun of Weimar, might be enough to see that the Beast is sufficiently starved that it does not allow the adoption of genuine solutions to the problem to be deferred any longer.

As we know, the aim of the game to this point has been only to do the self-evidently right thing after every last, Collectivist. reality-denial alternative has been exhausted – but it might just be that the Franco-German schism sets us up for just such an outcome. Daumen drücken, as they say, across the Rhine!

2. EU Bank Recapitalizations

As part of the recognition that their will be a "liability management exercise" in Greece, perhaps with haircuts exceeding 50%, attention has turned to the under-capitalized EU banks. The numbers about how much capital these banks need range from €100B to €1T. The question is where does that capital come from? Is it possible or banks to raise that capital without a)nationalization & b) losses for senior bondholder? Is this issue of capital and where it comes from even relevant if the banks are going to be given a year (as is rumored) to raise the capital?

Answer: Well, in the first place, if we realize that European banks are trading on price/book ratios of as little as 30%, we can see that the farce of pretending the balance sheet is sounder than it actually is has already been repudiated by the market itself, so why not take the hit and restore faith in the company and the integrity of its management?

Secondly, if we note that some 30% of European bank assets take the form of loans to, or securities holdings in, other – mainly European – banks, we can see that some grand, mutual 'tear-up' of all this I'll-lend-you-if–you-lend-me, economically otiose duplication would immediately free up a sizeable chunk of capital without actually having to go to market and beg for it.

Incidentally, the Victorians used to scorn the practice of such financial incest as 'pig on pork' and regarded it as beyond the remit of a proper banker. It might not hurt if we started to do likewise.

Thirdly, why are capital-poor banks still paying dividends? Why is executive compensation in what are effectively failing enterprises still so elevated? The most reliable source of capital to a business has to be that portion of the difference between income and outgo its retains within the business (though it might also help if central banks were not doing their best to eradicate net interest margin at the same time!). Why is that principle so difficult to apply to the banking industry?

Moreover, there are currently more the 7,700 'monetary financial institutions' in the Eurozone, with another 2,000-odd in the rest of the EU. In a world of teraflop data management, ubiquitous smartphones and always-on internet connection, do we really need one bank for every 50,000 people? Consolidate, consolidate, consolidate – and then we'll see if there's enough capital to go around!

Finally, as for the question of whether senior bondholders should be involved, what other, more effective mode of instilling a semblance of discipline and self-restraint into the system could we wish for? Caveat commendator – let the lender beware!

3. Three years later

We celebrated the 3rd anniversary of Lehman brothers bankruptcy just over a month ago. Yet three years later, we are again talking about a TARP program for Europe. Again we are subverting the interests of the majority to keep the Banks (not the financial system but the Banks that make up that system) alive. The status quo elites, all take for granted that a TARP like program is the only solution. That Lehman 2.0 cannot happen. We wonder if there is not another way. Is there a way to shore up the EU financial system that does not include recourse to either the ECB or a TARP program?

Answer: If we had done some of the above from the off, the original recession may well have been deeper, but it would also have long since ended and now - actually more than four years, not three - since the first cracks appeared, we could have been well along the path of genuine recovery and not struggling along the money-illusion travesty of one we have since been following.

But, no – we had to apply the mindless, Keynesian pass-the-parcel approach instead, under the rules of which when A (quintessentially a house buyer, this time around) suddenly finds he can no longer borrow money to buy more than he can actually afford, then B (usually the state) must step in and take his place as a spendthrift lest C has to find another customer for whatever it is he has grown over reliant on peddling to A and also so that Bank D, whose bosses have paid themselves handsomely for financing all these errors, can avoid having to bear the consequences of their poor decision making.

In the case of the public sector, this should be a time to write off whatever debt cannot conceivably be repaid with the proviso that all the member states – not just the defaulting ones - will guarantee not to add a single cent to their remaining stock of obligations but that they will balance their budgets henceforth.

This will not mean the defaulters will get off scot-free – they will still have to live within their means without resort to the kind of profligacy to which they have become accustomed, but at least they will be unshackled. Moreover, it have the added bonus of teaching everyone else (including regulators!) the historically unavoidable lesson that sovereign debt is anything but risk free, so reigning in the state's ability to subvert its duty of accountability, everywhere.

Preferentially, this new budgetary rectitude should be brought about, not by raising taxes, but by shrinking the greatly overexpanded scope of the state's activities – by privatising assets, reducing the deadweight of the various bureaucratic agencies, and by drastically pruning all debilitating and demoralising interventions to a bare minimum of social provision.

That way, we would immediately free up the maximum possible opportunity for private sector wealth creation to expand into the gap we leave and it would simultaneously impose the least costs on both the entrepreneurs who must be encouraged to lead this regeneration and on the workers and savers on whose efforts and funds they will rely on to carry out their ideas.

This would not only ensure that the inevitable drop in people's real incomes will be minimised in the here and now – a shortfall which has arisen because of what we did in the Boom, not the Bust, remember - but it would offer the best prospect of rebuilding them as rapidly as can possibly be envisaged.

Think of it as a Berlin Wall moment for the whole of Europe as the deadweight of inflationary Welfare State Corporatism was removed from – or at least lightened upon – the backs of 400 million people.

4. The Euro

This is a simple question of whether or not you see the Euro as a common currency of 17 different countries surviving the next decade? Can you envision a scenario whereby a country leaves the Euro, yet the Euro doesn't collapse as a result?

Answer: Contrary to popular belief, there is no need for a fiscal transfer union, much less an overarching political supersovereignty, to guarantee the viability of a currency union. Mankind managed pretty well from the time of Croesus' first Lydian coins to the beginning of the Great War by swapping shiny bits of gold and silver – not to mention cowries and other such exotica – for goods and services where there was not an immediate coincidence of wants between buyer and seller.

Money is a medium of exchange, that's all, so why can it not 'survive' by the mutual consent of its users across, as well as within, those artificial barriers we call borders without eradicating all cultural, legal, and institutional differences between the peoples contained within them?

Of course, if that consent is withdrawn, that is another issue. If, for instance the northern Europeans feel that they only want to exchange monies freely among themselves or if their erstwhile southern co-unionists suppose that they will confer some tangible competitive advantage upon themselves by leaving (presumably with a view to treating themselves to the highly elusive benefits of a currency devaluation), the boundaries around the existing membership might change – and even become so small as to be practically purposeless and so expire.

I do think, however, that if there's one thing which, at the moment, passes for a minimal level of consensus among a heavy majority of European decision makers, it is that the benefits of a single currency outweigh its drawbacks – though whether that warm glow of confraternity would survive the very transfer mechanisms which many see as its saviour is, to me, very much a moot point, since it would further identify the currency with the resentment of those who consider themselves diligent at having to subsidise those they see as indolent.

5. Goldman and Targeted GDP

In the last day Goldman's Jan Hatzius has suggested that "Fed officials to ease policy significantly further would be to target a nominal GDP path...indicating that

they will use additional asset purchases to help bring actual nominal GDP back to trend overtime." This justification for additional QE is that it will assist the "full employment" part of the Federal Reserves mandate. We would like to hear you comments on a) whether targeting a nominal GDP level is possible? and b) will such targeting actually benefit employment in the USA?

Anwer: The instinctive reaction when an institution like that comes up with a wizard wheeze to solve the world's ills is to reach instantly for one's pocketbook!

Facetiousness aside, as a card-carrying Austrian of long-standing, the emergence of this whole subject as some kind of startling breakthrough actually makes me smile since the basic idea was long since foreshadowed by Hayek and is actively promoted today by the fractional reserve, free-bankers (FRFBers) among the School.

Go and read the works of George Selgin, Larry White, or Steve Horwitz (e.g., at freebanking.org and coordinationproblem.org) for further elucidation, or consult cobdencentre.org to get a flavour of the arguments advanced against it by 100%-reservers like me.

What we must be clear on here, though, is that the suggestions of Hatzius and his ilk are all very much at one with the prevailing top-down planner, central bank-lever pulling mode and so are very much subject to Fatal Conceit/Knowledge Problem objections. In addition, they all seem to think their should be a 'target' - i.e., some divinely-ordained number, plucked out of the entrails of some DGSE ritual calculation; one which, of course, must be a bigger number than the one we have today and, worse, one which must be driven to increase at an arbitrarily determined rate thereafter.

This is a VERY different kettle of fish to what even the FRFBers propose which is simply that Free Banks – that is, those institutions which issue private money on the strength of their own competence and reserve base, absent all support from the state (whether explicit or implicit) and bereft of all legal favouritism before the courts – should be allowed to issue extra monetary claims on themselves whenever it becomes apparent to them that the holding of such is the overwhelming preference of their customers.

Another crucial point of difference is that the converse must also apply - i.e., that the Free Banks will pro-actively retire such claims when it later emerges that their customers' tastes have changed.

This, the FRFBers argue, is what their system will in fact ensure in a wholly automatic fashion so that, if there is any sudden rush to hold more money for its own sake (loosely, if there is a downward change in that money's 'velocity of circulation'), this will not exert any destabilising influence upon the real economy at large.

Furthermore, the FRFBers contend that, thanks to the fact that an unsupported Free Bank is one which is subject to a reputational competition with its peers, as well as to the more concrete constraint of the need to reach a balance with them during their mutual clearings, and that these attributes - coupled to an insurance company-like threat to its privately-subscribed equity capital should it ever misread the intentions, or forfeit the trust of its customers – will similarly prevent destabilisation through its undue expansion.

We must re-emphasize, however, that the point here is not to set omnipotent, Stalinist directives for what Nominal GDP 'should' be, much less to decree to what path its future trajectory should conform, but rather to allow the bottom-up, negative feedback of an emergent, systemic property to operate to maintain an even flux of money through the economy at all times, so as to make it as neutral an agent as possible in everyday business calculation.

Furthermore, where the FRFBers and we 100% reservist Austrians do agree – in marked contrast to the mainstream - is that money should NEVER be created merely to stop prices falling. On the contrary, we firmly believe that all productivity-led price declines – as opposed to those which are the results of an active monetary deflation (the perceptive reader might spot that we 100%ers are less fearful of any passive, quasi-deflation which arises through greater money hoarding)– are not only a benign, but, in fact, a necessary quality of a properly-functioning price mechanism, one whose suppression by today's central banks is a highly disruptive element, very much conducive to the kind of wasteful boom and bust we have just endured.

So, to sum up: there are some highly-regarded precedents for (if also some heart-felt objections to) the idea of looking to some broad measure such as nominal GDP as an anchor, but be aware that those who are arguing for it today are not really suggesting any radically better way of conducting policy, but simply seeking to rebottle their vinegary old plonk of chronic inflationism and Vampire Economy Führerprinzip under a shiny new label.

6. Macroeconomics vs. Microeconomics

You have repeatedly said that:

We must recognize that there are no workable macroeconomic solutions which can be laid down: that everything is a matter of functioning microeconomics building things up....

With governments and monetary policy authorities in the developed world continuing their love affair with macroeconomics, with models, pushing on levers, and central planning, more often that with disastrous consequences, can you actually imagine a circumstance whereby that same group start to embrace microeconomics solutions? That those with the most entrenched power, acting in their OWN best interest, will forgo the former and the latter, to actually effect change?

Answer: I refer my learned friend to what the estimable Ron Paul wrote in the WSJ recently, viz:-

"What exactly the Fed will do is anyone's guess, and it is no surprise that markets continue to founder as anticipation mounts. If the Fed would stop intervening and distorting the market, and would allow the functioning of a truly free market that deals with profit and loss, our economy could recover. The continued existence of an organization that can create trillions of dollars out of thin air to purchase financial assets and prop up a fundamentally insolvent banking system is a black mark on an economy that professes to be free."

So, to answer your question: if Ron Paul gets the Republican nomination, much less wins the subsequent election, you know there is still hope but, since the

mainstream media can barely bring themselves to mention the man's name, I wouldn't bet the farm on it, just yet!

7. The Federal Reserve: Should it exist?

In January of 2008 your wrote:

From their very first incarnations in 17th century Sweden and England, central banks have been purposeful mechanisms for shoring up profligate governments (whether these are buying guns or butter without properly funding the purchase) while serving as a backstop to the inherently flawed and highly unstable practice of fractional reserve banking"

Our question is simple, theoretical, and something that ZeroHedge readers think about often, Should the Federal Reserve (as conceptualized in the USA) be abolished? If so what do you replace it with?

Answer: Do you really need to ask??? I would abolish it as soon as can be arranged.

One possible mechanism to achieve this has been thrashed out by several of us at the Cobden Centre in the context of ridding the UK of that destructive 318-year old canker of monopoly and privilege which is Bank of England. For what it's worth, my version of this was presented to an audience at the IEA in July of last year, the barebones of which are appended below.

As to what we should replace it with – why nothing of course! Just free banks, free to fail and free to flourish – just as there are free florists, free furniture makers, and free fashion houses - nothing more and nothing less.

8. OWS Movement, Arab Spring, Greek & UK Riots ……Collateral Damage

What started in January in 2011 in Tunisia, has In October of 2011, moved to the USA. The one constant thread in all of these movements is the profound lack of fairness in society and the profound lack of confidence in governments and the institutions they represent.

How do you view the OWS movement? Does the movement cause you any concern?

Answer: To the extent that it provides a focus for left-wing disgust at the plutocracy, much as the Tea Party provides one for those who are considered as right wing, that is all to the good. My enemy's enemy is my friend, after all.

However, the problem is that many of the protestors see this as a failure of something they have heard fat-cat beneficiaries of the system, like Michael Moore and his kind, decry as 'capitalism' and so they are under the grave misapprehension that what is needed is a more activist government to take the reins, blissfully unaware that today's Corporate Welfarism is more like something Mussolini - or his self-confessed admirer, FDR – would recognise as an alternative to, rather than an embodiment of, 'capitalism'.

What they miss is that to be pro-market, is not to be pro-bank, much less pro-business since businessmen – especially Big Businessmen and ESOP guns-for-hire and Military-Industrial, US Treasury-Wall St. revolving door merchants, as opposed to real owner-entrepreneurs - are often just as inimical to the workings

of the free market as any trade union militant or pink-tinged academic tritely disporting a Che T-shirt.

It is actually quite heartening to see that ordinary people are fed up with the pseudo-choice they are offered at the ballot box by two giant, entrenched, self-serving party machines which have far greater commonalities than differences. I think you see the same thing with the likes of the Pirate Party in Germany, the Real Finns, and Christoph Blocher's Swiss SVP.

The worry, of course, is that these same people, through no fault of their own, have not been given the tools with which to analyse their plight properly, nor have they been educated in a rich enough vocabulary in which to properly articulate their dissent and so there is a distinct possibility that they become co-opted either by some fiery demagogue or, as in much of Europe, by the dangerously illiberal Khmer Verts who camouflage their despotism in the cuddly panda pyjamas of the Green movement.

On a more hopeful note, these protests show that the Establishment – and a post-1968 Establishment, no less – has lost both its power of command and its automatic right to respect and that can only give us in the libertarian Remnant greater opportunities to fill the void, too.

9. Of Being 25 in a Developed Nation

We here at Zero Hedge are labelled as fringe lunatics who thrive on bad news. We only take issue with this to the extent that the label allows "others" to dismiss us out of hand, while not debating us on the merits of our ideas and opinions. Central to our platform is the debunking of generally accepted conclusions of mainstream Wall Street Economist and Strategists. We do so, not only because it is sometimes fun, but because we want to encourage our readers and ourselves to think beyond what we are all being spoon fed. We are interested in what advice you would give a 25 year old graduating from University about the future. How should they think about money, how should they be investing, and what do you think their future will look like (10 year time horizon) in a developed nation? Would you give different advice to a 25 year old in an emerging nation?

Answer: The first thing I would say is that, from direct personal experience, he should not even begin to imagine that he has completed his education , just because he has been awarded his degree!

If he (I'm sufficiently advanced enough beyond the age of 25 to luxuriate in the presumption that 'he' is a non-gender specific pronoun in this context) is lucky enough, his university will not just have shepherded him though a few exams, but will have encouraged him to learn how to think for himself and to trust his judgement when he applies that ability rigorously enough.

If he has been astute enough, he will also have realised that he needs to be equipped with a few basic tools beyond his specific expertise in order to navigate his way through the sea of half-truths and lazy presuppositions which are likely to surround him.

Firstly, he needs basic numeracy skills so he can have a sense of magnitudes, costs, and probabilities. Secondly, he needs a sense of geography so he knows where he is and a sense of history so he knows when and who he is. Thirdly, he needs to be able to both understand an argument and to make one, so that he can spot the falsehoods he is constantly being sold (sometimes, it has to be said,

wholly inadvertently) and so that he can make his own case in response, once he has framed it. Finally, he needs to realise that the state is a wolf, not a sheepdog and that his liberty and right to self-expression are much more at risk from the smiling, ballet-box tyrants at home than it ever is from the foaming-mouthed, comic opera dictators whom he is enjoined to hate abroad.

He should realise that money is a medium by which wealth is exchanged, it is not wealth itself, much like it is the information he trades over the web which is important, not the plumbing of routers and servers and cabling which transmits it.

He should also be aware that when it comes to matters of money and economics, most of the ostensibly-learned discussants are sadly espousing ideas no more advanced or well-founded than were those of sixteenth century alchemists and leeches in the science of metallurgy or medicine.

Let's start with the fact that 'investing' is one of those undertakings which is simple in concept but very difficult of execution and that it requires effort.

Furthermore, it is a very distinct activity from trading. One may have a great deal of fun – and even make a very nice living – trading, once one understands that trading is as little about the 'fundamentals' of economies or businesses being traded as poker is about the specific cards one draws in a hand. But he should also know that investing is a longer game where the idea is to buy something valuable to which the market has temporarily attached too low a price, that the market often does exactly that – and hence that the classic ideas of 'efficiency' and 'rationality' are an exploitable artefact of academic vanity.

He should know, ultimately, that only entrepreneurs create wealth and that, short of being an entrepreneur himself, he should look for market-given opportunities to invest in other men and women who are, when he can do so at what he reckons is a discount to their likely potential to generate income. He should always bear in mind that genuine entrepreneurs are THE 'active managers', THE 'generators of alpha' to whom he needs to entrust his hard-earned money above all others.

I'm not sure I would presume to offer any different advice to a young man from the developing, as opposed to the developed world, except to urge that he pay lots of attention to what might be lucrative gaps between what goes on in his country and what we in the West do in ours and also that he resolves to learn not just from what we do well, but from what we do badly!

As for the call to indulge in futurology, that really is a fool's game. Life moves too fast to be overly specific. In a Heraclitan universe of flux, the straight edge with which one extrapolates an existing trend is the most dangerous instrument in one's tool kit.

All I can say is that, despite the age-old Malthusian pessimism which is currently enjoying such a vogue, I doubt we will run out of energy – or any other service provided by a material resource – on any foreseeable horizon, though politics and the cult of Gaia might make it seem that way. While I am resolutely despairing of the ability of or the incentive for politicians to make the right choices on any kind of consistent basis, but I am also quietly optimistic of the ability of the man in the street to find his way around the obstacles their incompetence and venality erect in front of him.

10. End Game

You have repeatedly stated that the "markets are broken" (something Zero Hedge agrees with and states daily). We would also add that most governments in the developed world are also broken. Previously we asked you what advice you would give to a 25 year old. Now we are asking you to comment on how you see this deleveraging cycle, superimposed on broken markets, and governments playing out over the next 5 -15 years. We speculate that part of what the monetary authorities in the developed world are trying to do is create a soft landing for western countries living standards, we wonder if this is a possible or even probable outcome?

Answer: There is a glimmer of a chance that we manage to spend the next ten years reliving a version of the past ten just as the authorities hope we will– a glimmer which avoids the question of whether any such remission of sentence would actually redound to our long-term benefit.

There is a slightly greater chance that in desperately trying to avoid a re-run of what our urban mythology tells us what went wrong in the 1930s, the misreading of what went wrong (especially in Depression America) is such that we actually condemn ourselves to enduring a repeat. I would say here that, eighty years ago, it took an almost uninterrupted succession of poor choices and the interplay of any number of aggravating factors to lead us into that particular Valley of the Shadow, that, to rejig the great cliché of those days, the only thing we have to fear is the fear of that fear itself.

There is a somewhat greater chance under the current institutional framework– but still a long odds shot – of moving straight to an episode of accelerating inflation, even of hyperinflation, as people lose all faith in their money and in the aims of those who manage it. The saving grace here is that such behaviour usually has to be learned over a period of time, unless policy is so determinedly and nakedly pointed in that direction, that we still have time to avoid this possibility.

Therefore, by a process of elimination, the scenario to which I would attach the greatest probability to is the one under which we slowly and successively ratchet ourselves up from one level of underemployment and overinflation to the neat, much as we did in the period from 1965-1983. This implies we become locked into a dreadful hysteresis of ever more desperate monetary fixes for wilfully unaddressed real-side problems and that this does then end up teaching people to anticipate the price inflationary side effects and to ignore the transient growth impulses at an earlier and earlier stage in each cycle of 'stimulus' to the point at which it is their own attempt at self-preservation which delivers all but the lucky or politically sheltered few into the jaws of this vast meat-grinder of wealth.

Somewhere along the line, we are going to have to recognise the losses we suffered in the Boom. The question is how unfairly those losses will be distributed, how much worse they will be made by our attempts to avoid them, and whether we will re-equilibrate the value of our outstanding obligations with our ability to generate the income to service and then discharge them by (a) pushing the monetary value of the assets up to those of the debts (as has been the thrust of policy to this point); (b) by writing the debt down to the worth of the underlying (a reckoning we have wasted so many trillions trying to avoid); or (c) by being lucky enough to hit upon enough new sources of income to be able to

treat the overhang as a minor balancing item (the unspoken hope behind all that has happened these last four years).

Each of these outcomes has different consequences for different classes of investible assets, for different countries, for different industries, and for different companies within them. The trick will be to recognise which path we are indeed following sufficiently early to buy into it at a good price and then to identify where along that route the deepest pitfalls and most desirable prizes lie so as to keep our real wealth intact as far down it as we can.

Good luck with the challenge!

http://www.zerohedge.com/news/exclusive-interview-diapasons-sean-corrigan