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Privatized Pensions and Economic Crises. The German Case.

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Die DFG-KollegforscherInnengruppe „Landnahme, Beschleunigung, Aktivierung. Dynamik und (De-) Stabilisierung moderner Wachstumsgesellschaften“ – kurz: „Kolleg Postwachstumsgesellschaften“ – setzt an der soziologischen Diagnose multipler gesellschaftlicher Umbruchs- und Krisenphänomene an, die in ihrer Gesamtheit das überkommene Wachstumsregime moderner Gesellschaften in Frage stellen. Die strukturellen Dynamisierungsimperative der kapitalistischen Moderne stehen heute selbst zur Disposition: Die Steigerungslogik fortwährender Landnahmen, Beschleunigungen und Aktivierungen bringt weltweit historisch neuartige Gefährdungen der ökonomischen, ökologischen und sozialen Reproduktion hervor. Einen Gegenstand in Veränderung – die moderne Wachstumsgesellschaft – vor Augen, zielt das Kolleg auf die Entwicklung von wissenschaftlichen Arbeitsweisen und auf eine Praxis des kritischen Dialogs, mittels derer der übliche Rahmen hochgradig individualisierter oder aber projektförmig beschränkter Forschung überschritten werden kann. Fellows aus dem In- und Ausland suchen gemeinsam mit der Jenaer Kollegsgruppe nach einem Verständnis gegenwärtiger Transformationsprozesse, um soziologische Expertise in jene gesellschaftliche Frage einzubringen, die nicht nur die europäische Öffentlichkeit in den nächsten Jahren bewegen wird: Lassen sich moderne Gesellschaften auch anders stabilisieren als über wirtschaftliches Wachstum?

Heiner Ganßmann

Privatized Pensions and Economic Crises. The German Case.

Abstract

The text argues that the financial economic crises since 2000 can be seen as a sequence of implicit stress tests and thus offer a chance to examine how the private pillar of pension provisioning performed in the framework of overall pension systems. It offers a preliminary case study, the case being pension reforms in Germany in the decade from 2001-2011. Showing first in general how and why funded pension systems ran into more serious problems during the crises than public pay-as-you-go (PAYG) systems, the German case of the so-called "Riester"-reform is discussed as a large-scale social policy experiment providing a lesson on how not to reform pension systems.

Zusammenfassung

Der Text betrachtet die Serie ökonomischer Krisen seit dem Jahr 2000 als eine Art Stresstest, der es erlaubt zu analysieren, wie Formen privater Altersvorsorge verglichen mit anderen Varianten der Rentenvorsorge in ökonomisch turbulenten Zeiten abgeschnitten haben. Während zunächst auf allgemeiner Ebene nachgezeichnet wird, warum kapitalmarktbasierte Pensionssysteme während der Serie von Krisen mit größeren Problemen konfrontiert wurden als öffentliche „Pay-as-you-go"-Systeme, erfolgt als Spezifizierung eine vorläufige Fallstudie zu den „Riester-Reformen" in Deutschland. Diese können als großangelegtes sozialpolitisches Experiment gesehen werden, wie Pensionssysteme nicht reformiert werden sollten.

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1. Introduction[1]

The financial and economic crises since 2000 can be seen as a sequence of implicit stress tests and thus offer a chance to examine how the private "pillar" of pension provisioning performed in the framework of overall pension systems. How did private pension providers and pension recipients fare during the crises? How did the crises affect investment strategies? To what extent can private providers cushion pension recipients against the volatility of financial markets?

Given the heterogeneity of nation states, their pension systems and their responses to the crises, there are limits to answering these questions in a general and nonetheless informative way. Although there seem to be common trends and drifts in the major rich countries, it is not too helpful to resort to reporting averages, say, of pension fund losses (OECD 2011, 2012), if pension funds play only a marginal role in some countries and are the major source of retirement incomes in others. Thus, what follows is a preliminary case study, the case being pension reforms in Germany in the crisis decade from 2001-2011.

Before describing and discussing the German case, some features of the chain of crises since 2000 and their impact on pension systems need to be sketched as a broad background. *First* came the "dot.com" crisis. In the framework of "Rhenanian" capitalism, it induced the withdrawal of a lot of investments in equities just after engagement in stock markets had become fashionable. *Second*, the "subprime" crisis destroyed the myth, propagated by financial market makers, that investing in derivatives would safely diversify – and provide returns according to – risks. *Third*, the subprime crisis transmogrified into a general economic crisis, with sharp declines in aggregate demand, investments and increases in unemployment in the rich OECD world. *Fourth*, the sovereign debt crisis, which broke out not least because governments had just bailed out major corporate financial players, provided the practical proof that even government debt titles with their supposedly "riskfree" interest rates are vulnerable to default, as public debt exploded.

The chain of crises presently continues as the Eurocrisis on the one hand and as stagnation or recession in most rich OECD countries, especially the UK and US, with their economies overly dependent on financial sectors. In the course of these crises, pension systems, whether public, privatized, mandatory or voluntary, were severely damaged, but certainly not in a uniform way.

Public pay-as-you-go (PAYG) pension systems, in which the bulk of current pensions are paid from contributions or pay-roll taxes paid by the currently economically active, were mostly affected by the standard features of recessions, provoking the standard reaction of deficit spending. As economic activity declined and unemployment increased, contributions to mandatory public pension systems shrank while unemployment and unemployment-induced early retirement caused additional expenditures. If fiscal deficits are not balanced by surpluses once growth resumes, long-term fiscal problems result – on top of the problems connected to ageing, that is the adverse development of the number of pensioners in

[1] Most of the work for this paper was done during a stay in Jena as a fellow of the Forscherkolleg Postwachstumsgesellschaften, University of Jena, whose support is gratefully acknowledged.

relation to the number of the economically active (the age dependency ratio). As the sovereign debt crisis made clear, governments cannot borrow in a sustainable way once doubts about their ability to service their debt become too serious and widespread. Political reactions to such a situation normally include cuts in public pensions. As the current austerity policies in the Euro-"problem countries" (Greece, Ireland, Portugal, Spain, Italy, the GIPSIs) clearly demonstrate, public PAYG pension systems are not immune to crisis[2].

By contrast, private pension systems, in which pension liabilities are backed by pension assets, that is investments in equity, bonds, real estate, derivatives, etc.[3], were exposed to the turmoils in financial markets, first, the dotcom-, then the subprime crisis, finally, to the extent that their assets are government bonds, to the sovereign debt crisis. At the highpoint of the financial crisis in 2008, "pension funds across the OECD suffered a negative 10.5% real rate of return... Even when measured over the whole decade 2001-10, performance was a paltry 0.1% yearly on average" (OECD 2012: 20)[4].

The current or prospective retirement incomes of pensioners suffered accordingly. Most gravely affected were those close to retirement who were enrolled in "*defined contribution*" (DC) pension plans. Their savings had been invested, the investments were devalued and there was no time to recuperate at least some of the losses. For example, in the US the losses in 2008 of the over 45 years age group ranged from 18 to 25% of accumulated retirement wealth (OECD 2009: 26). Whereas in defined contribution plans the risks as to the size of the benefits after retirement are borne by pensioners, "*defined benefit*" (DB) pension schemes, in which the sponsors take the primary risk to deliver the pension according to plan, suffered from funding levels that fell far below the obligatory 100% and have not yet recovered in many cases.[5] Underfunding mostly[6] had no immediate effects on pensions, but will require benefit cuts if it continues. The crisis enforced the trend of discontinuing DB schemes.

Clearly, funded pension systems ran into more serious problems during the crises than PAYG systems. A stock market crash or deteriorating bond values depress the value of the capital stock that has been built up to generate the income stream flowing to contributors after retirement. In 2011, "pension fund assets in most OECD countries ha(d) not climbed back above the level managed at the end of 2007" (OECD 2011: 182). By contrast, a PAYG system, while certainly also dependent on the general development of the economy, is less exposed to short run changes. Rather, the system can function as an "automatic stabilizer" of demand, either because public pension reserve funds can be tapped or because even supply-side oriented governments switch to "emergency Keynesianism" in times of recession, implying deficit spending.

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[2] Whether such austerity policies are unavoidable as the means to recover from the sovereign debt crisis is another question. Thus far, they do not seem to be helpful for the return to a normal growth path.

[3] For an overview of the portfolio compostion of pension funds in the OECD, see OECD 2011: 181.

[4] The OECD revised estimates of the impact of crisis published a year before: "In 2008, OECD pension funds experienced on average a negative return of 22.5% in real terms" (OECD 2011:182).

[5] Coverage ratios, that is plan assets over plan liabilities, dropped from 102 (UK) and 104% (US) in 2007 to 76 and 82% in 2009, with the UK ratio improving to 89% and the US ratio remaining at 78% in 2011 (Ramaswamy 2012: 12).

[6] Benefits were cut in Iceland and Denmark (OECD 2012: 20).

In Germany, a major policy shift towards strengthening the private pillar of the pension system and reducing the role of the public PAYG system was initiated a short time before the chain of crises started.

In what follows I want to show why and how the government subsidized "private pillar" of the German pension system, effectively installed in 2002, is failing to perform. From an international perspective, the German case can be seen as a large-scale social policy experiment providing a lesson on how not to "reform" pension systems.

2. German pension reforms 2001ff.

Massive lobbying by the financial sector preceded the reform. In 1997, for example, Deutsche Bank established a research institute, DIA, to support the move to privatized pensions with the requisite expert research and knowledge, including the tracking of changes in public opinion on pension systems. Campaigns in the media presented the public PAYG system as more or less bankrupt[7] and led to the marginalization of those pension experts, politicians or social scientists who defended the established system. Arguments for a general introduction of three-pillar pension systems, as advocated by the World Bank and the OECD, were weak (see below) and have been known as weak, most clearly since Orszag/Stiglitz (1999) and Barr (2000)[8]. Nonetheless, current advocates of funded schemes are still relying on presenting demographic changes as imminent catastrophies and the built-up of private pension systems as an adequate response (OECD 2012; Bräuninger 2009, 2011), as did the World Bank in 1994.

The so-called "Riester"-reform[9] of 2001 was conceived in line with the World Bank strategy of "averting the old age crisis": The mix of retirement income should be changed, in Germany by reducing the role of the dominant public PAYG system and strengthening the role of private providers, either in the form of occupational pension schemes offered by employers (the "second pillar") or in the form of individual insurance, saving or pension fund contracts offered by the financial sector. The reform aimed for a state-sponsored construction of such a "third pillar" by providing subsidies and tax breaks to induce people to buy into pension plans on the one hand and applying pressure by reducing the pensions obtainable from the PAYG system in terms of expected rates of wage replacement. The declared aims of the reform were, first, to make the pension system as a whole demography-proof by using the supposed advantage of capital funded schemes to "prefund" pension liabilities; second, to strengthen the competitiveness of German companies by reducing gross wage costs via lowering the employers´ mandatory share of pension contributions; and, third, to foster growth by inducing extra savings that could be used for extra investments.

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7 Despite the long known simple fact that a public PAYG system cannot go bankrupt as long as the government maintains and uses its power to tax (Feldstein 1977).

8 For German contributions before the reform that questioned the necessity of a switch to private funded pension schemes as a response to ageing cf. Krupp 1997, Schmähl 1999, Ganßmann 2000.

9 Riester was the minister for work and social policy in the Red-Green government, with a career background in IG Metall, the metal workers´ union.

If we take into account the economic background in Germany at the time, it is perhaps easier to understand why aims that had little to do with pensions as such were so important for pushing through the reform. Partly due to the huge economic burden of integrating East Germany, the German economy was on a low-growth-high-unemployment path, with deteriorating real wages and a trend of a declining wage share in national income. Social security contributions (instead of general tax revenues) had been (ab)used to finance much of that burden. By transfering social security contributions from West German payers to East German receivers, the system delivered less benefits at higher costs for the former, which partly explains the resonance for the propaganda about the imminent break-down of the PAYG-system.

What were the main ingredients of the reform? PAYG contribution rates, jointly paid by employees and employers (50% each), were to be stabilized at 20% of gross wages/salaries, and to move up to a maximum of 22% when the age dependency ratio would reach its peak. In steps over a 10-year period, the wage replacement rate was to be reduced by the so-called "Riester factor", calculated to match the public pension loss with the gains expected by participation in voluntary private pension schemes. Contributions to such schemes were expected to amount 4% of gross wages. To encourage such voluntary extra[10] saving, subsidies and tax breaks were to be matched to contributions: full benefits for 4%, less for less[11]. A "sustainability factor" was also introduced into the pension formula.[12] Both factors plus a new mode of using gross instead of net wages as the starting point of pension calculation work to decelerate public pension growth relative to wages, so that the wage replacement rate is declining. The "Eckrentner"-pension, that a person working for 45 years for average earnings will receive, is supposed to sink to a 52% replacement rate until 2030 according to the law passed in 2004 (Schmähl 2011: 411). In terms of wage replacement for low incomes, the German system is currently already one of the stingiest in the OECD, with a rate of 52% for workers earning half the average income and contributing for 45 years (OECD 2009: 39; rates are lower only in Japan, Mexico and the US).

3. Effects of the reforms

3.1 Social inequality

In a social policy perspective, the effects of the reforms are worse than disappointing. The participation among persons and households with lower incomes, who would most need additional retirement incomes because they can only expect low public pensions, is considerably lower than in the upper income brackets. Frommert and Himmelreicher (2012) have analyzed the income composition of persons

[10] In higher income households, the savings rate is usually higher, so that the Riester scheme supports saving that would have taken place anyway in high income households. In addition, the tax break can be much more valuable for them than the benefits for low income households.

[11] An interesting asymmetry is involved here: Whereas every pensioner has to face the reductions in the PAYG-pensions introduced to alleviate financing the private pillar, only those who voluntarily participate in Riester schemes can receive the corresponding subsidies and tax breaks.

[12] For a brief and clear presentation of the technical details of the current public German pension system, see European Commission (2009: 96-103 and 46-52 in the Annex).

entering retirement in 2003 and 2007, and found that the shares receiving private pensions declines in line with total income. In terms of income quintiles, the top quintile share of households with Riester contracts is 51.3%, whereas the share shrinks to 26.2% in the second lowest and to 24.8% in the lowest quintile (Coppola/Gasche as quoted in Blank 2011:419). According to Geyer (2011), using SOEP data, participation in Riester schemes varies positively with level of education, household and personal income and number of children (there are considerable additional government benefits for households with children linked to Riester schemes). The following explanations are offered for the unequal participation in Riester schemes when people are grouped according to income and levels of education:

* low levels of financial "literacy"
* low income persons/households have lower saving rates and in part are not or feel not able to save in the required steady fashion
* for low income people, it may simply not be worth it to voluntarily save for retirement. If their pension claims from the public PAYG-system are below the basic social security level (673€ in 2011) they can apply for means-tested social assistance to reach that level. Since even very low Riester benefits are counted as part of income, people who are expecting public pensions lower than the basic social security income have no incentive to save.

This is not a marginal issue. To reach a gross pension claim of 673€, an average earner currently has to work and pay contributions (less health and old-age care insurance contributions) for 27 years (Geyer 2011: 21). Or, according to Schmähl (2011: 411): Given the target wage replacement values underlying the 2004 law for pension sustainability, an average earner will need to pay more than 35 years of contributions to receive a pension above the social assistance level at age 67. Those earning less than the average will need more working years, for example 47 years for somebody earning 75% of average income. Given the large share of people who are repeatedly unemployed and/or in low income and part-time jobs or are retiring early and have to accept pension deductions, the group for whom it is simply not worthwhile to participate in Riester schemes is quite large. According to government data, there are currently about 400.000 old people who receive social assistance (or 2.5% of the population above 65 years) (Süddeutsche Zeitung, August 9, 2012). But this number is expected to grow considerably as more and more people with "perforated" employment records and low pay are approaching retirement.

3.2 Take-up

Ten years after the Riester reform, the number of contracts for private pensions has grown to 15.5 million. The number of persons eligible for subsidies or tax breaks supporting private pension plans is in the range of 37-42 mill., so the take-up is still far below 50%. In addition, almost a fifth of all contracts were dormant in 2010. Considering the expectation of legislators that all participants in the public PAYG system should compensate for their declining public pensions by adding private plans, these numbers are disappointing. Because to save for pensions is a long-term affair, it is too early to say something precise about the returns from "Riester-products". However, it is clear that the original promises of returns of 4% - considerably higher than those implicit in PAYG pensions, which tend to grow with real wages unless otherwise manipulated – cannot be kept so far. On one hand, this is due to the chain of crises. One can argue that crises of such length and depth are exceptional and that returns will improve from the current low levels. On the other hand, while it is frequently emphasized that the losses of German private pension plans during the crises have been comparatively moderate because of regulations demanding relatively riskless investment[13], it is evident that the small print of insurance contracts contains quite a few items that allow insurers to appropriate considerable shares of the returns on investments, either as administrative costs or as the result of calculating on the basis of exaggerated life expectancy predictions, so that the effective returns on contributions are currently estimated to amount to 1.39% only (Sternberger-Frey 2011: 95f.).

3.3 Effects on the PAYG system

Considering the Riester reform and subsequent legislation and judging by outcomes, the main effects of these reforms are not to be found in the availability of the proceeds from the "third pillar", but rather the benefit cuts in the PAYG scheme. They are not compensated for by benefit increases in the other parts of the system. The private pillar was supposed to add four percentage points to the wage replacement rates achieved by the PAYG system. Since 2000 – especially between 2003 and 2010 – the rate of inflation was considerably higher than the increase of gross pensions and net pensions grew even slower because part of the PAYG pensions are now taxed (Schmähl 2011: 410). In the 20 years from 1990 to 2010, the purchasing power of pensions (net) has shrunk by 10%, even more than that of net wages (5%).

Of course, it is argued that such benefit cuts are a legitimate response to the ageing of German society. In general, as average life expectancy increases, something has to give. Either benefits shrink or contributions/pay-roll taxes go up, or working lives have to be lengthened (Schmähl 1999; Barr/Diamond 2008). Although this is correct, the defense of benefit cuts loses plausibility if it turns out that pension reforms depress the future incomes of those in retirement far beyond what is required to cope with a higher age-dependency ratio.[14] In fact, reforms in Germany involved the two other responses too: Benefit cuts for the retired, higher contributions for the economically active and a gradual increase in the retirement age (to 67 years by 2029). As it turns out, it would have been cheaper for employees to continue with the old PAYG system. With the target maximum contribution rate for that system of 22%, of which employees have to pay half, and 4% of gross wages as payments for a Riester plan, the total employee contribution amounts to 15%, which is more than would have been their half share of the estimated total contribution rate of 24-26% had the old system continued (Logeay et al. 2011: 7).

In addition, there are questions regarding adverse macroeconomic effects of increasing contributions. People are forced to save more and spend less for consumption. Increased saving may be compen-

[13] Insurance and pension plans have to guarantee that the sum of all contributions plus all state subsidies are available at the time of retirement and they have to guarantee a minimum rate of interest (fixed by law, currently 1.75%).

[14] Usually defined as population 65+/population 15-64.

sated by increased investment. Neoclassical theory (Feldstein 1977) says that more saving leads to lower interest rates and lower interest rates will lead to higher investment. Keynesian theory and empirical evidence for Germany since the reform (Meinhardt et al. 2009) say that there is no such automatism to compensate for decreasing consumption demand. It has simply resulted in low growth.

3.4 Macroeconomic effects

Given the political goal of a system change for pensions, the Riester reform and the reforms following it demonstrate some political finesse: Gradual, stepwise transitions mean that adverse effects are only seriously felt with considerable delay and a series of legislative amendments created an opaqueness of the system that does not easily allow for informed opposition. System change is slow, but nonetheless deep.

Given the current success of the German economic export machinery, one might argue that the pension reforms, whatever problems they generate for current and future pensioners, effectively contributed to the underbidding in terms of unit labor costs that is the core factor in the remarkable recovery of the German economy since 2009. However, that success may not last. The export success has been based on a depressed wage share in national income and the implied lack of internal consumption, generating an external imbalance. It amounts to a "beggar-thy-neighbor" policy. The installation of a state subsidized "third pillar" private pension can be seen as one building block of this precarious constellation. It pushed employees to set aside a larger share of their income for old age whereas employers were partially relieved of contributing to the traditional PAYG system (a parallel movement is taking place in health care). Insurance corporations, banks and pension funds have been granted a government sponsored additional source of earnings – nice, riskless profits from selling new "products", plus additional liquidity streaming into financial markets. Whereas the public PAYG system absorbs negligible administrative costs, insurance companies and pension funds are in the pension business for profits. An indication that the wage depression effect is intended and taken for granted is provided by the standard way of calculating the expected returns on pension fund investments (for examples, see Ramaswamy 2012 or OECD 2011). It is standard to assume annual real rates of return that significantly exceed assumed real wage growth, meaning that the wage share in national income is taken to fall (Logeay et al. 2011: 7). While this type of calculation is supposed to demonstrate the attractiveness of funded private pensions, the implicit message is: Salary and wage earners will not be able to keep pace with the increases of income from capital. So the appeal of private pensions seems to correspond to popular wisdom: If you can´t lick them, join them. However, it remains a macroeconomic mystery how one is to build a capital stock out of a shrinking wage share that will be sufficient to compensate for the concomitant wage losses. Sooner or later, both the external imbalances due to continuous export surplus and the internal imbalance indicated by the trend of a shrinking wage share in national income will provoke counter-movements. The effects on the pension systems cannot be predicted but they do not include impressing returns from private funded pensions.

Apart from that, capital funding or "prefunding" is a fairy tale to the extent that insurance companies and pension funds "invest" in sovereign debt. A treasury bill or any such paper "bought" from the state represents claims to a share of future tax receipts. There is no capital there. That these claims include interest payments creates the illusion of an investment, but all there is is a credit relationship in which money now is traded for more money in the future. So if the very same people who pay taxes buy treasury bills or other IOUs from the state they are "prefunding" a share of their own tax burden. Of course, there may be asymmetries involved in the numbers, so that people or institutions that pay little taxes hold a large share of government bonds. But it seems that there should and could be less elaborate ways of accomplishing the goal of providing for old age income, especially if the whole operation is performed with the profitable assistance by financial intermediaries whose main interest is to divert a share of the money streams into their own accounts.

4. Conclusion

In sum and looking back at the promises made to push it through parlament, the Riester pension scheme is, above all, a disappointment. First, as we have seen, in terms of low take-up. Second, in terms of low returns. Private insurers and pension funds suffered heavy losses in the crises. Losses of German providers seem to have been comparatively low because legal regulation of the types of investment permitted with contributions and legal guarantees of minimum returns (in nominal terms, at least the sum of contributions plus government subsidies have to be paid out/annuitized at retirement age) have prevented the riskier investments, especially in equity or derivatives, that were hit worst in the financial crisis. But the back side of low risk investments are low returns. As yet, nobody knows what the effective long-term real returns on Riester-"products" will be, but it is not likely that the rate of return will be 4% (or the very optimistic 5.5% announced as the target rate in a Red-Green coalition paper preparing the reform in May 2000, cf. Schmähl 2011: 408).

Third, although the reforms are likely to have contributed to the German export-led recovery, this success rests on unsustainable export surpluses and internal adverse macroeconomic effects due to the double burden on the currently employed population who have to finance both the continuing PAYG system and are expected to save in private pension plans. The subsidies and tax breaks supposed to support such saving may perhaps be seen as a partial relief. But that is only correct to the extent that the tax burden to finance such subsidies falls on somebody else. To the extent that it does not, we are witnessing the old game of the state taking money out of your left pocket and putting some of it back into your right pocket. In any case, the extra savings did not turn into higher investments and growth, as the neoclassical textbooks would have it, but rather depressed consumption demand in Germany, with a decade of record low growth ending only in 2010.

Judged from outcomes, not declared political intentions, the private pillar was not installed to compensate for the expected/predicted failings of the public PAYG-system in view of adverse demographic trends. It provides an excuse for lowering old-age incomes relative to wages/salaries by reducing the wage replacement rate traditionally delivered by the PAYG-system while the overall role of private pension and their returns remain too small to substitute for the losses caused by starving the public system.

By now it is argued (OECD Observer 2012, 290-1) that private, funded, complementary partial systems of pension provision are recommendable because they function as buffers in case the other system components are exposed to shocks. While this may be a valid point for an impartial observer of what is happening in countries subject to austerity policies, it is not a good argument for politicians to defend reforms installing the "third pillar". In Germany, it would have been their responsibility to adapt the mandatory PAYG system to changing conditions – from economic crisis to adverse demography. In 2011, in a representative survey, more than 75% of respondents considered the public PAYG pension system as the ideal way of providing for old age income (Institut für Demoskopie Allensbach 2011, as quoted in Ehler/Haak 2011: 274). Politicians have not respected that mood, leaving people in a dilemma. If voters cannot force the democratic state to properly manage a pension system, should they trust private companies, whose profits are fed by their contributions, to ensure their living standards in retirement? You have to be a strong believer in the beneficial working of markets to have that kind of trust. That seems difficult in these days of crises.

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