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Annual Report 2019

# LET'S TAKE OFF INTO THE FUTURE TOGETHER

Capital Bank 2019

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It is 2020 and the world is now saying goodbye to reality as we knew it. With our masks on, we are looking a reality in the face that – unlike ourselves – is completely unmasked. We are left confronted with our own vulnerabilities and the fragility of a system that we all relied upon so much. Whatever the consequences are for us, one thing is quite clear: these events get under our skin. The catchword “skin” makes us think especially at this time of the prominent scientist, author and satisfied customer of Capital Bank, Nassim Nicholas Taleb. In his work Skin in the Game: Hidden Asymmetries in Daily Life he writes about the fact that there would be no life without risk. Taleb himself has a professional background as a trader and hedge fund manager, and is very familiar with the risks associated with these roles. Risk, as Taleb understands it, is characterised by a willingness to expose oneself to reality, directly and in such a way that you risk your own skin. We can only overcome false premises if we are willing to pay a price for our actions. This is a concept which Capital Bank already committed itself to years ago in a figurative sense when we turned the system of investment banking on its head. We are currently all in the same boat as our customers.

How we get this boat sailing again could perhaps be inspired by Christian Ortner’s guest article in this annual report, which is devoted to the deeper causes of the economic crisis in times of the coronavirus and attempts to outline some potential solutions.

## CHRISTIAN JAUK
CEO

The concept of “responsibility” has rarely been as highly valued as it is these days during the Covid-19 crisis. Responsibility in our daily dealings with each other, and responsibility in business. Responsible management of our customers’ assets has always been a central concern of ours at Capital Bank. Our customers are very right to demand this now from us and fortunately they appreciate the steps we are taking to achieve this goal.

## CONSTANTIN VEYDER-MALBERG
MEMBER OF THE MANAGEMENT BOARD

It has been weeks since things were “completely normal”. Fortunately, at Capital Bank things were never completely normal, and our innovations are now making what we have always intended them to make: the subtle difference. Seeing the bigger picture, having a clear and transparent remuneration model and a fair and honest payment system are just some of the main ideas that we have to guide you and us safely through the coronavirus era.

## WOLFGANG DORNER
MEMBER OF THE MANAGEMENT BOARD

When reliability and the courage to do something new are positively intertwined, a new quality emerges. This is what it takes to change things. When you ask yourself at the right time “What if...”, you are much more likely to have thought ahead in times when things are not going as they usually do. That is exactly what we do in order to minimise our customers’ concerns: we think ahead and seek out preventive solutions – so that we can shape the future.

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Capital Bank – GRAWE Gruppe AG

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# FOREWORD

If you were to glance at the first sentence of last year's foreword, you could be forgiven for thinking that it had been written for 2020. The sentence went as follows: "Anyone who's been through tough times knows that when everything is running smoothly we can be lulled into a misguided sense of security." The coronavirus crisis has shown us in no uncertain terms just how true that is. In his writings, Nassim Nicholas Taleb, one of the most unconventional and provocative thinkers of our time and author of bestsellers like The Black Swan and Skin in the Game: Hidden Asymmetries in Daily Life – plus, incidentally, a longstanding client of Capital Bank – has made the point repeatedly that, even during period of success and constant, uninterrupted progress, we should also expect precisely that which we are not (keen on) expecting. This is the only way we can take preventive measures to shore up the weaknesses in our system and combat the fragility of our world.

The author of our guest essay, Christian Ortner, takes a similar angle when he writes that "the virus itself and the pandemic that it has triggered are not the cause of the resulting global economic crisis. Rather, they merely did exactly what other, completely different events would have done sooner or later: brought about the partial collapse of an economic architecture that, for various reasons, was roughly as stable as [a] house of cards after

you have removed the supports." His essay, entitled The problem is the bubble, not the pin, attempts to unlock the deeper causes of the economic crisis associated with Covid-19.

We hope you enjoy reading it.

# THE PROBLEM IS THE BUBBLE, NOT THE PIN

By Christian Ortner

## Part one: the virus and the house of cards

Anyone looking to understand what happened to most of the world's economies in spring 2020 in the wake of the "coronavirus crisis" and, perhaps more importantly, what else is highly likely to happen sooner or later essentially only needs a pack of standard playing cards, an hour to spare and passably sharp observation skills – and the courage to draw the right conclusions.

So let's take our playing cards and begin carefully to build a little tower. It's not difficult – after all, every child has had a go at some point. You take a pair of cards and lean them against each other in an upside-down "V", do the same again with a second pair, and lay another card on top, joining your pairs like a sort of flat roof. More of these simple five-card modules can then be added next to and on top of one another horizontally as well as vertically. With a bit of skill, nimble fingers and a sufficient appetite for risk, you can use this method to build houses of cards up to quite an impressive height.

Now this is where the exciting bit starts that children love so much. Carefully, ever so carefully, let's start to remove individual cards from our structure by plucking them out tentatively with our finger and

thumb, really slowly and concentrating hard. The house stays standing, for now. And now let's take out another card. And another. And the house is still standing. One more – it's a miracle of structural engineering

and a fascinating process. Ultimately, though, our instinct tells us how the whole thing usually ends. At some point, our house of cards will collapse.

Usually, this collapse is triggered by a tiny external impact that has nothing directly to do with how the house was built. A breeze from a window, an adult's plodding steps on the parquet floor, a car driving past outside – tiny vibrations that the now much-too-fragile structure is no longer able to withstand and that cause it to come falling down all around us.

Of course, nobody would ever think of holding the passing car responsible for the collapse of our intricate construction. Anyone with even a bit of common sense will know that the structure itself was the underlying problem, that the car outside merely lit the touchpaper, and that any one of hundreds of other random events would inevitably have led sooner or later to exactly the same implosion.

Even though the public and published opinion would tend to disagree, there is much to suggest that the "coronavirus crash" of 2020 is following a very similar pattern. And the virus itself and the pandemic that it has triggered are not the cause of the

resulting global economic crisis. Rather, they merely did exactly what other, completely different events would have done sooner or later: brought about the partial collapse of an economic architecture that, for various reasons, was roughly as stable as our house of cards after you have removed the supports.

Looked at this way, the crisis was not caused by the virus itself. Instead, it was down to the misguided policies and behaviour of key actors from the worlds of politics, economics and finance – but also of many consumers and voters – that had been going on for years if not decades.

They had all combined to blow up a balloon that was going to have to burst sooner or later. US economist Peter Schiff put it succinctly when he wrote: "The problem is the bubble, not the pin [...] If the US economy really were healthy, it could shake off a case of coronavirus. But because the Fed [the US central bank] has artificially stimulated so much during past recessions, I believe the economy is particularly vulnerable. By cutting past recessions short, the Fed prevented the resolution of the imbalances that caused those recessions in the first place. Instead, it made debt bubbles larger, so we will enter our next recession with unprecedented levels of debt. In such a vulnerable position, the slightest downturn might be catastrophic. Any interruption in corporate earnings or weekly paychecks might lead to unprecedented debt defaults, and a worse financial crisis than 2008. So, the Fed will be doing all it can to once

again delay the day of reckoning by making all the problems we need to reckon with larger."

Of course, something very similar applies to most other parts of the world too. Overindebtedness has become globalised, just like virtually every sector of the economy.

And the metaphor of the tower of debt that is bound to collapse at some point is not the brainchild of obscurantist conspiracy theorists or prophets of monetary doom: the image has even been used exhaustively by the respected German financial economist Isabel Schnabel, a member of the Executive Board of the European Central Bank (ECB), no less. Long before the coronavirus crisis struck, in fact, she had openly admitted that "low interest rates are essential to prevent the towers of debt from collapsing". The good lady is likely to know only too well what she is talking about.

To a greater or lesser extent, the situation applies to nearly all the world's economies and central banks. Coronavirus was not the cause of the exceptional problems now facing every one of us. Rather, it just brought many of them into rather sharp relief. It's only when the water level falls that you can tell who's been skinny-dipping.

This brief essay is intended as an attempt to uncover the real, deeper causes of the crisis and touch on what conclusions we will need to draw from what

has happened so far. (Spoiler alert: these conclusions may seem rather unpleasant to many people, but it remains the case – now more than ever before – that "there ain't no such thing as a free lunch").

## Part two: two hundred and fifty trillion dollars

How much money is 250 trillion dollars anyway? Now, one measly trillion is a mere million million (1,000,000,000,000).

If you're struggling to get your head round all these zeroes, you're not alone, because even just the sheer scale of our economic problems at present and the "rescue packages" being launched against them are well beyond the realm of human comprehension.

250 trillion dollars – according to informed estimates, this is likely to be the current total global debt of all countries, companies and private individuals on the planet. And this is without even counting the hefty new debts that governments, in particular, have now piled on themselves in the wake of the pandemic. "The IMF's Fiscal Monitor has put the global costs of the additional health interventions and rescue measures necessitated by the pandemic at $3.3 trillion. This is in addition to public-sector bonds and injections of capital for companies ($1.8 trillion) plus guarantees and other contingent liabilities ($2.7 trillion). Public-sector debt is skyrocketing all over the world." (Neue Zürcher Zeitung, 20 April 2020)

This staggering amount is concerning mainly because it has grown at a much faster pace than global economic output over the past two decades: a debt bubble of unprecedented proportions has been inflated with great determination by piling new loans on top of old ones to prevent the individual players in this game from ever defaulting on their payments, if necessary also with money printed (or, as some printers would say, "counterfeited") by central banks for this very purpose.

And all this despite the fact that, as we all know, a major global financial crisis – essentially a debt crisis – erupted in 2007/2008: from the excessive US mortgages handed out to uncreditworthy borrowers to the overindebted countries of Europe's "Club Med", headed by Greece.

However, although history is known to be a great teacher, unfortunately nobody tends to take any notice. Almost as if the global financial crisis of 2008 and after had never happened, therefore, the world largely carried on unperturbed, cheerfully nurturing its burgeoning debt mountains. More than six months before the coronavirus crisis, the German journalist and commentator Gabor Steingart wrote: "The world is living a double life. By day, 'sustainability' is the word on every politician's and citizen's lips. By night, however, the bulwarks of economic sustainability are being deliberately dismantled. Out of fear of an economic slowdown. Out of concern for the possibility of a trade war. Out of a reluctance

to countenance any change to the status quo. Across the world, we are seeing a return to the politics of debt and cheap money, without any parliamentary debates ever being held on the matter."

And he would go on to predict: "A glut of money of a size never before seen is in the works. China, Japan, the USA, major developing countries and ECB President Mario Draghi and his team have become slaves to the greed of the moment. The peoples of the world, all lovers of the status quo – at least in the eyes of the political class – are to be anaesthetised.

Cheap money, not religion as Karl Marx believed, is the modern opium of the people. The world is now living out its double life in a hall of hallucinations. There could be many consequences – but sustainability can never be one of them." How right he was is something we will soon have to find out; the signs are not good.

The few isolated pockets of lingering resistance to this collective folly, such as Germany with its "black zero" policy (until April 2020), or Sweden, which had cut its national debt to a mere 30% of GDP by the time the coronavirus crisis hit, were regularly denounced by mainstream economists and political commentators as economic party-poopers whose policy of "saving till it hurts" would ruin the economy – an argument that, interestingly, seems more or less to have gone to ground since the coronavirus outbreak and the huge burden it has placed

on governments. Even as recently as 2019, however, the infamous Economics Nobel Prize winner Paul Krugman wrote in the New York Times that "[t]he world has a Germany problem", alleging that the German government had an "obsession" with debt that was slowly but surely jeopardising the global economy and accusing the country in all seriousness of "society-destroying spending cuts".

These days, Germany – and with it half of Europe – is happy that, thanks to its measured budgetary policy up until now, Berlin is able without major problems to prevent its own economy and thus ultimately those of its fellow EU members from collapsing, by taking on serious levels of new debt, even though this only means kicking the problems further down the road rather than solving them once and for all, of course.

In April 2020, when this essay was written, Germany and a handful of other eurozone countries, including Austria, were still mounting lingering resistance to the introduction of "eurobonds", i.e. the mutualisation of debt amongst members of the monetary union. Vocal supporters of the idea are chiefly Italy, which to all intents and purposes is already overindebted, but also Spain and France, because it would make Germany and the few other healthyish eurozone members jointly and severally liable guarantors alongside the principal debtor countries. As it happens, this is precisely something that the treaty establishing the eurozone had ruled out. As everyone

knows, however, needs must: an emergency can turn any breach of the law into a minor misdemeanour. It is not unduly reckless to predict that these eurobonds will come about sooner or later, whatever they end up being called. This is because, of course, Italy in particular is "too big to fail" in a way and will therefore (have to) be subsidised by its peers to the north.

And the Italians are being extremely creative when it comes to obtaining this solidarity. At the height of the coronavirus crisis, for instance, two dozen high-profile Italian politicians, including the mayors of Milan and Venice, called on the Germans to finally give eurobonds the green light, arguing that Germany had had some of its own debt cancelled in 1953(!) and that the new mutual debt was an essential weapon to combat the coronavirus.

They have some nerve. After all, Italy is not currently scarred by the consequences of the Second World War, like Germany was in 1953, but instead has lived through a substantial 75 years since the war ended – years that, however, the country failed to use to put itself in a position to survive without taking on any new debt, at least under normal circumstances.

Here too, the fact remains that, rather than being the cause of the crisis, the coronavirus has merely thrown it suddenly into sharp relief. Italy is virtually a textbook example.

German economist Hans-Werner Sinn sees bad times ahead if Italy has its way and "eurobonds", or "coronabonds", or whatever they may be disguised as do see the light of day: "They will destroy the European capital market because they will break the interest rate mechanism. And they will undermine Germany's creditworthiness, sacrificing our interest rate advantage over the USA. The narrowing transatlantic spreads are already showing this quite clearly. In the long term, they will inevitably lead to an avalanche of debt, which will leave nothing behind bar antagonism and hatred, just like when Alexander Hamilton mutualised debt in the USA. The wave of mass bankruptcies that hit individual states in the years after 1835 were the direct consequence of a policy of socialising debt that he started."

In some way, though, Italy is everywhere. One of the phenomena that the coronavirus has revealed all of a sudden is just how little financial resilience many private households, but also many companies, appear to possess. Surprisingly few of them have set aside the kind of adequate rainy-day fund that they could now really do with, either because they weren't able to, or because they didn't feel it was necessary and preferred to spend instead.

For instance, 60% of people in the USA wouldn't manage to cobble together 1,000 dollars from their savings if they had to make a sudden, unplanned payment, while 80% of industrial workers are living "from paycheck to paycheck", i.e. virtually from

one month to the next without any wriggle room. "Coronavirus reveals financial irresponsibility of Americans" says the title of The Hill magazine, hitting the nail bang on the head.

In Austria, too, it has become apparent that a great many sole traders and smaller businesses sail very close to the financial wind even in normal climes; if a crisis like the current one hits and sales plummet, often to zero, many risk defaulting on their debts after just one month, with only a small minority having reserves that can help to plug the gap for a few months. Die Presse had this to say on the subject on 5 April 2020: "It's clear we're going to have to talk about the level of capital resources and liquidity at Austria's small and medium-sized businesses. According to a survey by the SME researchers at "KMU Forschung Austria" a few days ago, 53% of SMEs only have enough liquid funds to cover their costs (staff costs, rent, loan payments, interest, energy bills, etc.) for a few weeks or a month at most if they don't get any extra help. This would be next week, then. We have a serious economic problem on our hands, at any rate. Not good."

It is patently clear that we are living in an economic environment that is much more precarious than previously assumed. The coronavirus did not cause this; it merely lifted the lid on it.

## Part three: the firefighters turned arsonists

In her famous novel Atlas Shrugged, the author Ayn Rand (1905–1982) describes a fictional United States of America in which the government churns out one new law after another to protect its people against the impact of an economic crisis. Unfortunately, though, this merely serves to fan the flames of the crisis instead of extinguishing it – whereupon the government issues yet more new restrictions, bans and regulations, which once again have exactly the same effect. A downward spiral triggered by a desire to do good.

Sadly, it is not out of the question that we will be forced to go through something very similar in real life over the next few months if not years. This is because, in order to keep as much of a lid on the crisis as possible, governments are currently embarking on the most severe, comprehensive and sustained intervention into economic life since the end of the Second World War.

And, if the situation gets even worse, they will not even shy away from measures that used to be seen as taboo. The German Bundestag, for instance, has agreed to create an "Economic Stabilisation Fund", which now runs to €100 billion. Amongst other things, its role is to take direct stakes in companies struggling as a result of the coronavirus crisis. Or, put another way, the German taxpayer is stumping up €100 billion (with the prospect of much more

to come) for a nationalisation spree. The days of Angela Merkel styling herself as the heir to Margaret Thatcher are clearly long gone.

Some people in Germany are already weighing up creating a dedicated institution for this purpose à la "Treuhandanstalt" to pool and manage the state's new holdings. "If the coronavirus lingers for much longer, it will change our economic system beyond all recognition. The market economy as we know it will most likely be demolished bit by bit. Private ownership and competition will become less important as government influence is massively ramped up. It would be an unplanned systemic change, born not out of revolutionary zeal but out of the simple necessity to prevent an economic collapse brought on by the global lockdown," predicted the April issue of Manager-Magazin, a publication where a measure of calm composure is usually the order of the day.

The consequences would be severe. Companies that opt against an investment by the state and attempt to carry on under their own steam would fall behind as they would find it harder to raise finance. And governments and their politicians could well find that they quite enjoy having a direct say in large parts of the economy and never want to give it up. In Austria perhaps more than anywhere else, we know what happens next. And, where surplus capacity appears, it has to be eliminated. Capital markets are quite good at tackling this kind of streamlining, politicians much less so. It is not inconceivable that

we will end up with a large number of structurally loss-making zombie companies that are only just being kept afloat by cheap government loans." (Manager-Magazin).

You don't need a great deal of imagination to be worried that a renaissance in the state ownership of companies on this scale will cause much more damage in the long term than the crisis itself.

In fact, this applies just as much to the policies of the central banks, whom the economic shock has prompted to throw off all pretence of shame and indulge in everything that had previously – and for good reason – been off limits. For instance, the rule has been scrapped that says the ECB can hold no more than 33% of the bonds of an individual eurozone country; another rule being sidelined used to specify that government bonds could only be bought up once a certain time had passed since they were issued on the secondary market; and short-dated government bonds will be allowed on the bank's shopping list in the future too. "In short, everything that should prevent Europe's central bank from engaging in the extremely dangerous pursuit of direct state financing no longer applies." (Josef Urschitz, Die Presse, 27 March 2020).

You would have to be a diehard optimist to believe that a policy like this would not cause significant damage in the long term such as a sharp rise in inflation, which would erode the savings of the

middle classes, pension pots and ultimately trust in money itself – a most dangerous state of affairs.

## Part four: why not take a sledgehammer to the source of your prosperity?

Capitalism and the system of the free-market economy and competition has been on the back foot for a number of years, at least since the global financial crisis of 2008. Hiding behind the smokescreen of "critiquing capitalism", the supporters of government intervention, statism and socialist ideology have been attacking the very system that has brought more people prosperity and opportunities in life than any of its alternatives.

This movement was given an initial extra boost by the climate hysteria of 2019, which has now faded into the background; nevertheless, the coronavirus crisis is now providing a lot more powerful ammunition to those looking to blow up the free-market economy.

For instance, left-wing Austrian economist Stephan Schulmeister is a happy man: "Never in the past 50 years have we had such a big opportunity to fundamentally rethink our view of the world. In this severe crisis, people are realising that neoliberalism, with its selfishness and competitive mindset, has its polar opposite in what is actually important for people: the welfare state and social cohesion. Politi-

cians who have tended to defend neoliberal ideas and developed neoliberal policies are feeling it too."

Now, it may be somewhat bold to talk of "neoliberal policies" with the government spending ratio hovering around 50%, but it is clear what he means: returning to a state that has a firm hold on the economy.

And this sentiment is growing, especially in Germany. One German weekly newspaper straightfacedly called the coronavirus "a capitalist pandemic". And, undaunted, it blethered on: "It's not the virus that is killing people, it's capitalism."

Although this is clearly nonsense, more and more people are believing it – coronavirus or no coronavirus.

It's a pretty crazy state of affairs: although capitalism has ensured that more people than ever before are better off than ever before, it is growing increasingly unpopular. At least, this is what a study by the US communications agency Edelman in early 2020 suggests. Rather staggeringly, the study found that 56% of respondents, who were from 26 countries, believe that capitalism as it exists today "does more harm than good in the world". And 55% of Germans think this too. Only a minority recognise that, for all its inherent shortcomings, capitalism is the only economic system that has generated "prosperity for all" (Ludwig Erhard) and continues to do so.

Even in the USA, the mood is turning massively under pressure from the coronavirus crisis. In the New York Times, for instance, Martin Weiss, Austria's astute ambassador in Washington, observed recently that "Everyone's a Socialist in a Pandemic". The Philadelphia Inquirer, meanwhile, pondered whether the current crisis in the USA could usher in a form of "disaster socialism". Bear in mind that this is the country where President Ronald Reagan coined the famous phrase "The nine most terrifying words in the English language are: I'm from the Government and I'm here to help." (Wiener Zeitung, 3 April 2020).

By its very nature, Europe is in much more danger. For instance, the former Italian finance minister Giulio Tremonti – exhibiting the kind of pathos for which his country is not unknown – told an interviewer that the coronavirus was "the new Sarajevo". Just like the assassination of the Austrian heir to the throne Franz Ferdinand in 1914 and the subsequent world war had called an abrupt halt to the previous decades of internationalisation and the economic boom of the early 20th century, coronavirus would bring an end to the "golden thirty years of globalisation and the supremacy of the markets", he said.

And, at the moment, a fair few people would not be sorry to see them go. In an attempt to repackage the imminent loss of prosperity for broad swathes of the population, there are now increasingly frequent murmurs of a "systemic change" that is allegedly

required, of a “reflection on true values”, of the urgent need to “slow down” – all of which we now apparently have the virus to thank for. For the most part, this is the vision of a deglobalised society in which everyone knits their own jumpers, travel is just something your grandparents tell you stories about and contemplative table talk is replacing the Internet.

There may be urban milieus in which this is seen as attractive, as long as you don’t have to experience it first-hand. By contrast, the vast majority of people would view it as an imposition, because they would actually quite like to holiday on Majorca, drive a big car and buy smartphones made in somewhere like China. These people have as much interest in a “systemic change” as they do in getting tonsillitis, and they’re fully entitled to feel that way. Why then should the coronavirus make any difference? It’s not really clear.

## Part five: the right way to live after the virus

Neither is it really clear yet what direction the crisis is going to take. It’s quite conceivable that we will witness yet another successful example of what economists call “kicking the can down the road”, just as we did in the years following 2008. In this case, this means: the ECB keeps on printing money, the debt bubble gets a fair bit bigger, the prices of material assets like houses or shares, gold or similar assets continue to rise, but the major crash does not

come. Politicians would have the perfect excuse for this approach in the shape of the coronavirus, which would appear to lend weight to the idea that there had been no other alternatives.

It would seem that this could work OK for a few years. At some point, however, the central banks will have no more bubbles left to blow up. As recently as March 2020, it became clear that even sizeable injections of new money by the Fed will no longer automatically mean that share prices will rise again straight away; in the short term, they can even fall further – a phenomenon never before witnessed. Something that the entire financial world had taken for a mighty bazooka turned out to be a rusty stovepipe.

What this points to is politicians potentially losing control over economic developments that have escalated uncontrollably. Once the house of cards starts to wobble, it will be nigh on impossible to stop it collapsing.

If it can be done at all, it will need the help of a radical paradigm shift in the world of politics. Shortly before his death in 2010, the libertarian economist Roland Baader got to the heart of this paradigm in some very vivid language that we can all relate to: "What we have packed our cheeks with in the credit-driven feeding frenzy of the past few decades, we'll have to starve ourselves of over the next few. It's going to get awful."

This is exactly what it's about. The political, economic and media elites will have to break the unpleasant news to the people that we have all been living above our collective means in some way. And that the debts piled up in the process will have to be brought down slowly but systematically, which will inevitably mean less prosperity. Greece has experienced what that feels like over the last ten years. But there will be no alternatives if our house of cards is to be prevented from collapsing at the eleventh hour. After all, there still ain't such thing as a free lunch.

At the same time, and the coronavirus shock would actually be an excellent place to start, we need a reset of government institutions. German author and commentator Markus Krall puts it nicely in his latest book Die bürgerliche Revolution ("The Bourgeois Revolution"). "There's an old rule in politics that says: if you need to cause pain, do so quickly and right at the start of a new government. If you act swiftly and resolutely, the self-healing powers of the market will work genuine wonders," he wrote, just before the outbreak of the pandemic in Europe. "It must consist of deregulation, savings, diverting spending from consumption to investments and repairing infrastructure, educational reform, defence reform, reform of internal security, pensions reform, immigration reform, a U-turn in energy policy, tax cuts, a drastic simplification of the tax system, a marked reduction in the government spending ratio, scrapping all subsidies, privatising the state's non-core tasks, cutting red tape, and a return to

freedom of contract in all industries, sectors and affairs."

That's it. However, many shrewd observers made exactly the same point after the 2008 financial crisis, although admittedly without all that much success. Of course, the constraints of political democracy make it extremely difficult to get a majority to hunger in an orderly fashion for what has already been wolfed down in advance. It's just that all the conceivable alternatives are even less attractive. Quite the opposite, in fact, as history has shown us. Now the choice is ours.

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