

Funding the Future

Article URL

<https://www.taxresearch.org.uk/Blog/2019/02/14/that-hit-a-nerve/>

Published: January 12, 2026, 6:25 pm

I wrote a blog post yesterday asking '[Where's the debt?](#)' that pointed out that much of the world's risky debt is pension balance sheets and this represents real risk in the event if another global financial crisis, which I think likely.

It seems this hit a nerve. Large numbers of those claiming to understand financial markets have turned up here for the first time saying that either a) there is no risk or b) I do not understand the markets or c) the risk has been priced into portfolios or d) this time its different, with some variations on the theme and an emphasis on (b).

So, for the record, there is risk. Marco Fante has noted it, [here](#).

And I do not claim to be a market expert: I just use my sense to work out there is very real risk based on a) systemic issues b) experience c) knowledge of economic modelling and d) risk aversion that I think pension funds should share. This also means that I very, very much doubt that the risk has been priced appropriately.

Whilst noting that this time it is not different, and it never has been: markets crash. And they will again. I think fairly soon.

In other words, I have no faith whatsoever in the models that fund managers use that work on the basis, very largely of the known knowns, with a modest weighting for the known unknowns. I work on the basis of guessing the unknown unknowns using heuristics that have by and large worked well for me, and could for others.

And if you want to know what that heuristic says right now, the actual answer is hold cash, even though you will lose in the short term.

But I'll be derided again for saying so.

But I'm safe in knowing that I have seen pre-crash hubris from so-called professional fund managers many times now. And there was a rash of it on the comments page of this blog yesterday.

PS My favourite comment was the one that suggested there could not be risk in investment grade bonds. If that was not such a poor joke given the record in 2008 I

might have laughed.