

# The Blame Game

I've been thinking about who is to blame. The first answer that comes to mind is my parents, because they are usually to blame for just about everything else, but I am not sure I can pin Madoff or the Credit Crunch on them.

So, the first question is "blame for what?" That's easy. According to the news media and the common man on the street, everything seems to be such a big mess.

To get to the bottom of it all, I went on the G20 protest march on Saturday here in London. It was called Put People First. People were really upset, and I was determined to figure out why. But even the name confused me. Put people first before what? The consensus answer seemed to be before giant multinational corporations, particularly banks. But aren't banks run by people? It's like the whole "guns don't kill people, people kill people" thing. What are the protestors suggesting, to put people first, except for the people that run banks? "Yes," was the answer. And, unsurprisingly, put some people before other people that own guns. Oh, and use plastic bags at the grocery store.

I still wasn't making any headway on figuring out who was to blame. This is where Madoff comes in. Not because he is to blame for the world's financial crisis, mind you, but because blame seems to be much easier to assign in this case than in many, at least for me. Needless to say, Madoff is a criminal and is to blame for behaving as such. But no

investors were forced to invest. And, let's face it, the signs were there.

The purpose of due diligence is not to confirm that you have made the right investment decision. If every single result of due diligence does not clear hurdles of the highest standard, the purpose of due diligence is to allow an investor to say "No." Investors should always be looking for reasons to say no, not yes, and then be willing to do it.

Does this shed any light on the "big mess?" Well, to a certain extent.

We know that ratings agencies have perverse incentives, due to the way they are compensated. We should say "no." We know banks were structuring product, stuffing it into unsuspecting client portfolios, only to buy back the underlying in order to free up demand for more product and more fees. We should have said "no." We know the GSE's had government guarantees and free license to hyper-leverage their portfolios. We should have said "no."

The list of those we could blame goes on and on. Who is to blame? As usual, we have nobody to blame but ourselves.

