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## OFFSHORE PILOT QUARTERLY

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### **One-Upmannship**

The United States of America's policy towards Cuba, mentioned in the June issue, has changed little since the trade embargo was imposed (the 50th anniversary of which was in February). This embargo may have meant that Havana cigars could no longer be purchased in the US, but one American aficionado was still able to derive pleasure from the distinct tobacco leaf, namely, President John Kennedy. His successor, former president Bill Clinton, also derived pleasure from cigars (not necessarily Cuban) too, judging from the 2,800 pages of supplementary evidence provided by Kenneth W. Starr, the independent counsel charged with investigating the affair between the president and Monica Lewinsky, a former White House intern. Back in 1962, however, in order to satisfy the US president's penchant, Pierre Salinger, his Press Secretary at the time, says that he was asked on a particular day, without explanation, to scour the stores for a supply of 1,000 Petit Upmann cigars, the president's favourite smoke. He returned with 20 per cent more cigars than he was asked for and the next morning, according to Pierre Salinger, the president signed the decree to ban all Cuban products from the US.

These two presidential precedents illustrate our human frailties and our constant battle with principles and self-interest, both of which were major contributing factors to the West's present enfeebled economies which, figuratively speaking, have gone up in smoke without any assistance from cigars.

On a recent stop-over in Amsterdam I was bought a tie with an attractive tulip motif which I intend to wear at least several times a year, not as a reminder of Holland, but of those human weaknesses we can all fall prey to. Such dangers were exemplified by that country's tulip investment mania which preceded the

equally-famous and disastrous South Sea Bubble in 1720 which caused an anonymous pamphleteer to write: "There must be a vast Fund of Stupidity in Human Nature, else Men would not be caught as they are, a thousand times over, by the same snare; and while they yet remember their past misfortunes, go on to court and encourage the causes to which they are owing, and which will again produce them". Every businessman and investor should read those lines at least several times a year and as for tulips, no wonder when Charles Mackay, a 19<sup>th</sup> century Scottish journalist, poet and songwriter, wrote about the 1630s mania in Holland he chose for a title: "Extraordinary Popular Delusions and the Madness of Crowds".

As Washington's relations with Cuba worsened at the time of the Russian missile crisis, the most popular dance with teenagers was the Twist; well, 50 years on, Ben S. Bernanke, the Chairman of the US Federal Reserve, invited Wall Street banks to get up on the floor and do the Twist (official label: Operation Twist) again – only this time it entails the Federal Reserve selling short-term securities and using the proceeds to buy longer-term debt. So far, as I write, the government has bought US\$2.3 trillion of Treasury and mortgage-related debt in an effort to stimulate the economy; but now there is a reluctance on the part of Wall Street to purchase short-term securities and sell their long-term Treasury bonds (seen as a comfort zone) to the government. What's more, the supply of short-term securities to sell is not infinite, so where will this dance of debt end? Hopefully not at the fiscal cliff everyone is talking about.

### **Concrete Proposals**

"Fiscal cliff" is one of many expressions doing the rounds. "Quantitative Easing" is now almost part of



our vocabulary after 5 years (although it was back in 2001 when the Bank of Japan applied it as it bought sufficient securities to create a specific amount of reserves in the battle against deflation). The term relates to an asset-purchase strategy, but since 2001 it has evolved into shades of meaning: there is “credit easing” in support of increasing liquidity when normal credit facilities have frozen; then there is its offspring, Operation Twist, which aims to kick-start the economy without creating new money, and there is “Quantitative Proper” which is designed to improve the economy by, what has been termed, “portfolio rebalancing”, the hope being that investors, not just Wall Street bankers, who sell securities to their central bank will take the proceeds and buy other assets (perhaps such as a king-size bed so that more money can be hidden under the mattress?). I am sure that all this would have made Charles Maurice de Talleyrand-Perigord, the French doyen of 18<sup>th</sup> century diplomats, smile, having once observed: “An important art of politicians is to find new names for institutions which under old names have become odious to the public”. Not just politicians or institutions.

The consequences of complexity and hype, in which both written and spoken words are increasingly the product of vacant thought, have only become all too clear in business where clusters of clichés abound, including “Twist” and “Quantitative Proper”. George Orwell, who died in 1950, but whose writings are still popular (and very relevant) today, decried what he called the lack of firmness in writing; as he put it in his essay, “Politics and the English Language”, the tendency seemed to mean a move “away from concreteness”. He argued that our language had become slovenly; so one can only wonder what he would say today; and a galactic visitor would be hard put to distinguish between the shallowness of today’s commercial advertisements and the slogans of politicians. The late writer understood the dangers of deceitful discourse reinforced by repetition of phrases that turn the pre-programmed speaker into a machine; or, as he put it, “The appropriate noises are coming out of his larynx, but his brain is not involved as it would be if he were choosing his words for himself”.

The late Václav Havel, the first and only president of post-communist Czechoslovakia before it was dissolved, was also a writer who understood the difference between words and meaning (surely a sensitivity reinforced by communism); false rhetoric snares both speaker and listener who can be, as he put it, “objects in a system of control, but at the same time they are its subjects”.

Winston Churchill, Clement Atlee and Dwight Eisenhower did not rely on “sound bites” or management jargon which now wields significant influence and has become a central plank of politics. George Orwell’s argument was that the meaning must choose the word, and not the other way around; Václav Havel called for “the rehabilitation of values like trust, openness, responsibility...” Those ideals, sadly, appear to be disappearing, just as Czechoslovakia did, even although they are needed now more than ever. The economic mess, be it banking or otherwise, is in large part due to this battery-hen approach of force-feeding us words and George Orwell spoke of “gumming together long strips of words, which have already been set in order by someone else”. The process has since spawned “riding the wave of growth”; “poised and powerful information guru”; “high latency micromanager”; and “passion to perform”.

### ***Valley of the Vacuous***

What have the thoughts of Talleyrand, Havel and Orwell got to do with the mess we find ourselves in today? Everything. Thinking is inspired by conversation (sorry, Twitter) and vice versa but the question has to be asked: how many adherents of the fine art of conversation remain? To converse with clarity of thought does not mean that one must emulate, for example, Samuel Taylor Coleridge, the 18<sup>th</sup>-century English philosopher-poet, known for his eloquence, wit and cultural knowledge; neither clear thinking nor speech require such talents, just a set of rules; and Cicero, Roman philosopher and orator, born in 106 BC, would be a good place to start. He believed that the fundamentals of the art of conversation required speaking clearly and easily (but not too much), giving others their turn and not interrupting, being courteous and not losing your temper. If you

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need proof of how far we have strayed from his imperatives, just watch and listen to the large number of discussion panels to be found on radio or television (often the panellists are all speaking at once, producing a confounding cacophony); I have noticed, too, how more and more news readers are performing, rather than presenting, the news: are we on the way to Oscars for news presenters?

When we do communicate verbally we are confronted in both politics and business by hollow, drivel-driven dialogue which has become the lexicon for lemmings – a predicament George Orwell was all too familiar with and which inspired, in part, his disturbing book, *Nineteen Eighty-four*. T.S. Elliot, the late Nobel laureate, saw the writing on the wall too and in his poem, appropriately called *The Hollow Men*, he describes them as being “Shape without form, shade without colour”.

One of the tools in the word-gummers armoury is the PowerPoint presentation, which does have its place (I have used the device myself) but is in danger of eventually replacing meaningful speech and, at the same time, providing a distracting visual background. Bullet points on screens should back-up speech not substitute for it; and there is the danger that the lazy presenter will rely more on cutting and pasting, at the expense of original thought. Screen prompts are, of course, far easier than boldly facing an audience where only words from your mouth can express thought and, hopefully, command attention; it can, of course, be a boost for your confidence to follow words on a screen, where memory takes a backseat.

But one of life's little pleasures is to watch a PowerPoint presentation fall apart due, perhaps, to either an electronic, but mischievous, mouse, a gremlin in the computer or a power failure; that's when many presenters panic and take on the role of a drowning man, perhaps clutching at a mouse rather than a straw.

We are today confronted with large numbers of software applications (referred to as APPS), especially for our cell phones, but the APP I find the most exciting is the one founded in Switzerland: The Anti-PowerPoint Party (APP). Its founder, Mathias Poehm, who has written a book, *“The PowerPoint Fallacy”*, wants, like I do, the tool constrained, not eradicated,

in the interest of better speeches and presentations; aptly put, one could say.

On this journey into the valley of the vacuum, technology has circumvented Peter Drucker's assertion that management was the last of the liberal arts. This view ran counter to Frederick Winslow Taylor's belief that the discipline was a science; it has been said that his book, *“The Principles of Scientific Management”*, (published 101 years ago) is the most influential management book ever written. The main thrust of his research was that all management problems could be solved solely through scientific principles, eschewing judgement and intuition. Consequently, creativity, associated with skill and craftsmanship, was consigned to the cupboard, as his scientific approach eventually metamorphosed into the discipline of management science. Like the PowerPoint, however, I see science as a management app, not a substitute.

### ***Dead Trees Give No Shelter***

As someone who manages trusts and foundations I must take the view that principles (not of a scientific nature) rather than pipettes, should be the main focus of my profession; just as it should (and clearly hasn't been) in the case of banking which has so often in recent times relied on models produced by sophisticated mathematics. Banking (certainly in Europe) at the senior level had once been the province of arts graduates who found scientific input an aid, like the PowerPoint should be, but not a replacement for common sense often wrapped in a knowledge of history and, importantly, how countries and their cultures thought; the cream of the crop, which did not necessarily have any affinity with cuckoos or clocks, not only had a broad experience of life, but a capacity to assess character.

Science is no substitute and it certainly cannot produce an ethics pill; equally, there is no scientific formula, no litmus test, for understanding the various categories of culture that embrace customs, mores, breeding and education.

But with the 100-year march of management science, bankers gradually became lost in a maze of mathematics where complex products under development included in the late 1990s a Power

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Reverse Dual Currency Bond. George Orwell was concerned about the creeping terrors of technology, and he even worried about houses having a radio in every room, but, even so, accepting that science has its place in the field of finance, it was Sir Isaac Newton who resigned himself to the fact that he could “calculate the motion of heavenly bodies, but not the madness of people”.

It should be remembered that the (so-called) Great Intra-day Crash in May, 2010, caused US stock markets to suddenly lose several percentage points before correcting themselves. Although the precise reason was never ascertained, the computer systems, were directed, in less than a nanosecond, to go into a “sell” mode. No human being could prevent this and hapless traders could only watch their screens turn red, just like, I am sure George Orwell’s face, creased with laughter, would have had he been alive.

The late Sir Dennis Weatherstone, a former director of the Bank of England, who was once chairman and chief executive officer of J.P. Morgan and who transformed the bank into a global investment institution, used to say this: “You can have three attempts to explain it to me and if I don’t understand it after that we don’t do it”. In that context, Dr.

Benjamin Spock’s controversial childcare book written more than 60 years ago gave advice to mothers that all of us should heed: “Trust yourself. You know more than you think you do”.

One thing we all know is that the West is in an economic waste land where we are facing a reality which 10 years ago would have been considered by so many as wild speculation. This disillusionment and despair for many evokes memories of T.S. Elliot’s influential poem, “The Waste Land”, written 90 years ago after the First World War which produced similar emotions. People then felt that they had been tricked by politicians whereas it is regulators and governments who are seen as tricksters now.

Sir Dennis upon retirement and his return to London said that, “There is no banking industry. The label means nothing”. It’s time that it did if we have any chance of clearing away the rubble and moving on from a landscape where loss of wealth, rather than war, is our fate. But in either case, the poet captures the mood in “The Waste Land”: “A heap of broken images, where the sun beats, And the dead tree gives no shelter”. Those who once thought that money grew on trees have lost their shelter too.

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*Local Bankers  
Banco Panameño de la Vivienda, S.A.  
Multibank Inc.*

*Auditors  
Deloitte.*

*Physical Address: Suite 522, Balboa Plaza, Avenida Balboa, Panama, Republic of Panama.  
Mailing Address: Apartado 0832-1630, WTC, Panama, Republic of Panama.  
Telephone: +507 263-5252 or +507 269-2438 – Telefax: +507 269-4922/9138  
E-mail: [fiduciary@trustserv.com](mailto:fiduciary@trustserv.com) Website: [www.trustservices.net](http://www.trustservices.net)*

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