

Hedge: The best hedging

Risk management is very difficult for financial systems. Financial crisis in one place spills over to other places easily. The global financial system is highly integrated.

Is it possible to make financial markets less integrated? Is it possible to maintain some barrier to capital flow? This will impede the efficiency of capital flow. We are told.

In a pandemic, some barriers of travel are established to curb virus flows. This will impede the efficiency of virus flow.

Risk management is also called hedging in the financial markets. A hedge is a fence or boundary formed by a dense row of shrubs or low trees. A fence makes offense more difficult. A fence makes defense easier.

A hedge, or a barrier will slow down the capital flow. This will impede the efficiency of capital flow.

A hedge, or a barrier will slow down the virus flow. This will impede the efficiency of virus flow. Is this necessarily a bad thing?

A hedge is a fence. A fence makes the offense more difficult. A fence makes the defense easier. A hedge is the best hedging.