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FOREWORD

”History needs a change of scenery” is the title of our annual report for this year. We chose this title based on our conviction that innovative ideas are capable of correcting errors that have occurred in the past. The title also aims to show that sometimes a point of view can essentially change the substance of a story from history.

Let’s take the virulent topic of the banking crisis as an example. The banks have been heavily criticised since the outbreak of the financial crisis. The so-called ”system”, i.e. the market economy, has also been denounced as part of this process. The accusation is that only a system like this one makes crises such as this possible. Yet the market economy is much more adaptive and robust than its opponents always want everyone to believe. All the Austrian companies that perform brilliantly and that stand out in fiercely competitive global markets also provide grounds for optimism.

And there are still banks that do not need the help of the national government to stay afloat, as will be shown in this book. For Capital Bank, 2012 was a pleasantly good year – because business was well managed. Our customers saw good returns and we further minimised the risks for our customers while increasing security for them. Not only was there no decline in customer funds – we increased the amount to EUR 10 billion, and did so in a market that is becoming smaller. You can see that the issue depends on how you look at the overall situation.

Our guest contributor for this year emphasises this concept. Dr Franz Schellhorn is a well-established journalist. He was head of the business desk at the newspaper *Presse* and was also deputy editor there between 2011 and 2013. His weekly column ”Super market: what capitalism can and cannot do” has appeared since June 2007. Since 1 February 2013 he has been head of ”Agenda Austria”, Austria’s first wholly privately financed research workshop. We would like to invite you to a change of scenery and hope that it will inspire you.

Dr Franz Schellhorn
WAS MARX RIGHT ALL ALONG?
Thoughts on the economic situation

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WAS MARX RIGHT ALL ALONG?

When word got out that the steamer ”SS Central America” had sunk on 12 September 1857, nobody knew that the tragedy would lead to an economic disaster for the global economy. Not only was the ship carrying 477 passengers and 101 sailors, it also had 13 tons of gold on board. The treasured precious metal was supposed to be transported from California to the East Coast of the United States as quickly as possible in order to stabilise the struggling merchant banks. Instead of providing security in the vaults of the severely under-capitalised banks, the gold now lay 2,500 metres below the surface of the water, safely out of human reach.

The shipping accident off the South Carolina coast came at a highly inconvenient time. Even before the bail-out ship went down, hundreds of thousands of people in America's north-east were doubting whether their savings were actually secure in the vaults of the various banks. For weeks there had been reports that investments in railway construction would not be as profitable as people had assumed in their calculations.

This time let's do things the other way round and put the cart before the proverbial forerunner to the railways, also known as the horse. Because you can turn it around as much as you like: the end can also be a beginning. It just depends on your point of view.

While the influx of new settlers to the west at the start of the 1850s was considered a guaranteed engine for growth, demand for property unexpectedly weakened a few years later in the unpopulated areas. The gold rush had reached its peak and even cultivating crops had lost its appeal. A strong supplier of crops returned to the global market with the end of the Crimean War in 1856. Russia, which had been defeated by the allies, began to supply the European market once again, dealing a heavy blow to American farmers. For many years, they had been taking advantage of the high price level in Europe caused by the drop in supply because of the war to provide vast expanses of the Old Continent with crops "made in the USA". The sudden increase in supply from the Russians put pressure on global market prices.

The falling prices for crops were accompanied by political unrest in the United States. The coming Civil War was casting its shadow, with heavy clashes between supporters and opponents of slavery in Kansas. This, in turn, was robbing the bank directors in New York of their sleep. Many of them had invested their customers' money heavily in the railways, which had been booming for years.

***It's so Lonely in the Saddle since my Horse Died* is the title of the first novel by author Selim Özdoğan. An old American Indian saying teaches us that "when you discover that you are riding a dead horse, the best strategy is to dismount".**

The crop harvests were sparser than expected as a result of the weaker settlement in the prairies, meaning freight volumes carried via the new railway tracks were also below expectations. The New York-based Ohio Life Insurance bank was the first to feel the effects of this. This bank was considered rock solid; it had invested almost five million dollars in the construction of the railways, with almost two million in own funds. However, a large part of the money never made its way west and instead disappeared into the pockets of a few "stakeholders". When the scandal broke, other banks called in their loans to Ohio Life Insurance, although the latter was of course unable to repay this money.

The bank's New York branch discontinued operations on 24 August 1857. Many years later historians would look back on this date as the official start of the first global economic crisis. On the day Ohio Life Insurance closed its doors, it set an unpleasant cycle in motion. The banking sector raised the interest rates on loans in order to account for the significant increase in risk.

This simple act of raising the interest rates applied to loans revealed how poorly funds had been allocated: countless investments became unprofitable with the moderate rise in interest rates. So the banks slammed on the brakes. Loans that terminated were no longer extended, many merchants and traders were deprived of the option of issuing bills of exchange. It became clear to all Americans taking part in commercial activities that their familiar way of life was suddenly on a slippery slope. The first investors ran to their banks in order to sell shares and take their money home. Share prices for respected industrials came crashing down within the space of hours, foreign investors – in particular, British ones – took their money and fled the US. When the Russian farmers then also started to lower the price of cotton, their competitors in the US refused to sell their raw materials at the tumbling prices. At this point, the run on the banks really gathered momentum: by September 1857 the gold reserves in the vaults of American banks had already decreased to the tune of 20 million dollars, a huge sum at the time. On 13 October, when thousands of people stormed the major New York banks, these, too, closed their doors.

Touché, as only those individuals who analyse the situation correctly and consistently introduce forward-looking measures will be successful in the future.

The panic spread like wildfire; just a few days later nerves were at the breaking point on the European stock markets as well, with the picture replicated shortly afterwards on the trading floors in Latin America. Thus the New York Ohio Life Insurance in 1857 was the equivalent of Lehman Brothers in 2008: the first part of a violent chain reaction that is characteristic of every burst speculation bubble. While it was property and houses that promised unhindered growth in the late 1990s and the 2000s, investors in the 1850s dreamed of making serious money from the American railways.

Yet at least two gentlemen were in the best of moods in these turbulent times in 1857. A certain Karl Marx, later to become the London correspondent for the Viennese daily newspaper *Neue Freie Presse*, wrote to his friend Friedrich Engels in October 1857: "The American crash is magnificent and is also far from over. We can still expect the majority of importing companies to crash, so far only a few odd ones appear to have fallen. The repercussions also appear to have started for England in the Liverpool Borough Bank. Tant mieux. Commerce has been rendered worthless again for 3-4 years, nous avons de la chance. I don't have a single stamp in the house and it is 12 midnight."

(source in German at: http: marxwirklichstudieren.files.wordpress.com/2012/11/ mew_band29.pdf, page 204)

Karl Marx observed the turbulence in the United States with mischievous pleasure and believed that his fundamental criticism of capitalism had been confirmed. According to Marx this type of economic order was condemned to produce constant speculative bubbles, a weakness that would also ultimately ruin this system. He believed that capitalists had the unpleasant habit of accumulating money without any controls, which is why there would have to be permanent over-investment. This, in turn, would put pressure on company profit margins, making the funds invested unprofitable with the first adverse wind and making it impossible to prevent collapse, as demonstrated impressively by the shattered dream of US railway construction.

He believed that in addition to producing an endless series of speculative bubbles, capitalism also tends to rid itself of its paying customer base. This was a finding that Marx expounded in the years of progressive industrialisation: workers' wages soar due to the exploding demand from the industries that pop up out of nowhere. In Marx's opinion, this has to lead to the impoverishment of the masses in the long term. The growth in supply of better paid jobs would trigger an excessive demand for vacant positions, and this oversupply of workers would drive wage levels down sharply over the longer term, and thus reduce thealready modest purchasing power of the masses.
In addition, industry was becoming increasingly productive, making many work processes superfluous, thereby also rendering the activities of many workers superfluous. In this manner, industry does indeed lower its costs, but it also reduces its paying customers at the same time. Ultimately workers also make purchases, even if these are considerably more modest than those made by the members of the aristocracy and the middle classes.

This much is certain: we are asked over and over, ”And what about the future?” We answer with tenacity: „It’s approaching!“, so we need to act; ideally immediately.

What about today? One hundred and fifty years and a total of forty two financial crises later, capitalism has not been retired yet. In fact, it is more active than ever before, not least because the impoverishment of the masses predicted by Marx has failed to materialise. Never before in the history of mankind have so many people enjoyed as high a standard of living as they do today. Never before in the history of mankind has the proportion of the global population living in poverty been as low as it is today.

According to the United Nations, more people have been freed from poverty in the last 50 years than in the 500 years before this. History shows that this did not come about through a suppression of capitalism, but that the reduction in poverty was instead.

More precisely, starting from the back again: let's look to history. Banks actually derive their name from a piece of furniture. More precisely, from a tool used by Italian money changers from the High Middle Ages.

At the same time, progressive globalisation provides no guarantee as yet for anyone to escape from the world's poor areas. However, it is the most effective tool available to the global population for leaving poverty behind. It is also rather effective at this, as a brief look at the past reveals: the global number of people living in poverty fell by 120 million in the 1990s alone, according to the OECD, and a further 300 million people escaped the worst levels of poverty in the first decade of the third millennium. This is an historic change: by 2030, 60 per cent of the global economic output will come from today's underprivileged developing and emerging nations.

For their part, the workers who are suddenly producing for the whole world increase the demand for goods via incomes with modest growth, setting an upward spiral in motion.

We also conveniently overlook the fact that it is precisely this connection between national capital markets that has achieved more for world peace than nuclear bombs, Pershing II missiles, church leaders, politicians and the United Nations combined.

The best example for this is the relationship between the two military blocks, the US and China. Open markets and the flow of capital have joined both global powers in sharing a common destiny. China has entrusted the USA with the majority of its currency reserves and as a result has no far-reaching interest in seeing the evil imperialist wiped off the map. On the contrary, the last communists of our time who can still to some extent be taken seriously have a keen interest in their capitalist arch enemy making its way back to economic prosperity, if only so that it can settle its debts with the Chinese. This scenario can almost certainly be cited as making a significant contribution to bringing the two peoples together and improving the economic situation from the ground up.

By the way, continuous improvements to the economic situation from the ground up is a process that has persisted without interruption since the start of industrialisation. Up until that point, it was as though the status of any person was set in stone at birth. Anyone who was born poor remained that way until they died.

They transacted their business on the ”banca” upon which they had placed the money to be exchanged along with any weighing and checking equipment.

Anyone lucky enough to land on the bright side of life and to be born into the world as the offspring of rich aristocrats lived in the lap of luxury until the day they died. It was the infamous ”Manchester Liberals” who in the 19th century successfully fought off feudalism, propagated free elections, had no interest in colonialism and saw compulsory military service as nothing other than exploitation of the poor by an aristocracy that was trying to protect its vested interests using cheap soldiers.

The position of the suppressed majority of the population improved slowly but steadily with progressive industrialisation. The income of the masses rose continuously (although at a modest level), and the masses were also suddenly producing en masse for the masses. While all commercial activity previously up to this point had been directed at meeting the needs of a few affluent individuals, the market was now multiplying at a very rapid pace, and even those individuals receiving low incomes enjoyed a constantly growing number of goods and services at affordable prices – a benefit which should not be underestimated.

In addition, the arrival of capitalism made possible the mass production of agricultural machinery, which had been difficult before because it was so capital intensive, and this mass production could now be done at increasingly reasonable prices. Production output in the agricultural sector increased on a continuous basis as a result. Whereas six million people were capable of being fed after a fashion in 18th century England, the living standard of 50 million British citizens is higher today than that of the small number of rich 200 years ago. This is the reason why the Austrian economist Ludwig von Mises responded to the anti-capitalists in the late 1960s: ”You know that the population of the planet today is ten times greater than in the period before capitalism. You also know that all these people are enjoying a higher standard of living than their predecessors before the age of capitalism. But how do you know that you of all people are the one person in ten who would have survived without capitalism? The simple fact that you are alive today is proof that capitalism has been a success.”

In German there is a phrase that has its origin here: ”to pull someone over the table” means to outmanoeuvre them. Shame on anyone who sees any connection here.

None of this prevents people in the industrialised world of today from seeing capitalism as a huge threat. They see a danger that runs riot because no one can think of a suitable alternative.

When the dreaded capitalism goes hand in hand with the fiendish monetary economy, then all the evils of this world suddenly have a face, as is revealed by the language currently in use. Terms such as financial capitalism, predatory capitalism, locust capitalism, casino capitalism, turbo capitalism and Manchester capitalism are curses that everyone understands today. Anyone who still dares to utter the less radical term ”market economy” only does so if they add an attribute. The market economy today has to be ”social” or even ”eco-social”.

At the start of the third millennium it is no longer people like Karl Marx who doubt capitalism, but rather the entire intellectual scene, and people who are not among the usual suspects, but instead firmly located to the right of centre.

One example is the editor-in-chief of the Daily Telegraph and avowed conservative Charles Moore, who posed the (rhetorical) question in the autumn of 2011 as to whether the left was right after all in their assumption that the ruling market economy system only serves to make the rich richer and the poor poorer. The response was supplied by none other than Frank Schirrmacher, publisher of the prestigious newspaper ”Frankfurter Allgemeine Zeitung”. Schirrmacher accused the conservative parties of having long thrown their civic values to the neo-liberal market fundamentalists. German philosopher Jürgen Habermas sees western democracies as floundering on the strings of the financial industry.

Contract partners have to be able to rely on each other. Yet nobody can be sure they won't be outmanoeuvred, or that they haven't already been. This is because the result of the contract partners' efforts also depends on influence factors that cannot themselves be influenced. Economists call this concept incomplete information.

As if this wasn't enough, Klaus Schwab – legendary founder of the Davos World Economic Forum – came to the following conclusion in January of 2012: "Capitalism in its current form no longer fits the world around us". Schwab continues: "We have failed to learn the lessons from the financial crisis of 2009. We are over-indebted. We have neglected investments in our future, we have undermined social cohesion. And we run the risk of completely losing the trust of future generations."

And true enough: the only question now is, who are "we"? "We" the politicians, "we" the bankers, "we" the group leaders, "we" the workers? It is meant to apply to all those who believe that an economic order based on free markets is somewhat suitable, precisely because of the latest crisis, while the leaders from the worlds of politics and business gathering at one of the world's most luxurious winter sport destinations wipe the blame for the whole mess from their shoulders as if it were fresh snow. Captains of industry who had always preached the virtues of the free market yet applying cap in hand for government assistance because they brought products to market that they did not understand and thereby made a huge mess with horrific sums of money. Politicians who for decades have been unable to spend less money than they take in and are now palming off their government's excessive debt onto the very markets they have regulated.

Ironically, shots are being fired at a capitalism that has long been replaced by uncompromising state socialism in most European countries.

Therefore while the destructive force of unbridled markets is being pondered in newspapers in Frankfurt and ski chalets in Davos, the state has long since made itself a part of citizens' everyday lives. Throughout Europe, the public sector is at the same time the largest investor and employer. Government spending in the large national economies of Europe is around 50 per cent of the annual economic output, or is considerably more than this, e.g. in France and Austria. Add to this the fact that this crisis is in no way the work of "unbridled" markets, but instead the result of state intervention in the markets (however well intended) in order to correct politically unwelcome results. Monetary policy provides the best example of this: the level of interest rates has had nothing to do with supply and demand for a long time. It is kept artificially low by central banks in order to enable indebted western governments to use interest payment services. The same applies to the supply of money, which is kept artificially high by central banks in order to provide public budgets that have been battered financially with smooth access to fresh capital.

Wherever you look, the state has supplied cheap money, making it possible for speculative bubbles to occur time and again. This was the case in the 1990s when the US government under Bill Clinton introduced legislation ensuring that the partly state-owned mortgage banks had to provide access to loans to people without the necessary funds so that they could purchase their own homes, much to the pleasure of the new home owners, the construction industry and the estate agents. It was even more the case when the US Federal Reserve lowered interest rates on the orders of George W. Bush following the attacks of September 11th, 2001 in an attempt to stop the economy from nosediving.

This was successful – yet also had rather catastrophic consequences: the booming property market became even more heated, leading to increasingly absurd prices. The rise in housing prices was accompanied by increased credit-worthiness for the home owners, who were also offered loans for new cars and nice holidays, until suddenly the first customers started pulling the plug because they could no longer pay the prices. Demand ebbed away, prices nosedived and the home owners' securities disappeared into thin air. But their debts, which had now grown sky-high, still remained. The costs resulting from the burst bubble caused national budgets – already up to their ears in debt before the crisis – to stumble fully.

Frightening comparisons were made with the 1930s in an attempt to protect them from complete collapse: ”Now is not the time for the public sector to ’save’! Now the ’good’ state must save its citizens from economic collapse, by spending more!”

Asymmetrical information also makes fair pay more difficult. What do I pay my financial consultant for their services? The portfolio could have grown without their assistance. How much of the success is through chance?

Unfortunately too much Keynes and not enough Mises is read in western industrialised nations. The great Austrian monetary theorist knew in the 1920s that there is no such thing as natural economic cycles. On the contrary, economic fluctuations always have to be viewed in conjunction with the governments intervening on the money markets. Money that is artificially devalued always triggers a boom in investments which are doomed to fail. This includes investments that become unprofitable with the first decline in demand or with a noticeable rise in loan interest rates – like the railway constructions in the 1850s or the property shooting up all over Europe and the US at the start of the third millennium.

Even the Great Depression in the 1930s was not the result of a lack of liquidity or boosts to the economy, as is so readily maintained today by prominent economists and the political elite.

The recipe to counter this? Some say reputation. And now think of Bernie Madoff, whose reputation could not be sullied by anything over the years. You can see that this is precisely the reason why we are backing a different horse, and this horse is called "Transparency".

This economic earthquake started with the serious economic collapse of 1924, which the US Federal Reserve countered by devaluing money. This was a gift from heaven for the companies on the brink of a downturn: heads of companies were able to invest to capacity and the workforce that owed its continued employment to this move retained its purchasing power, setting a kind of self-healing cycle in motion. The recession was soon forgotten, with business looking ahead optimistically and the elite glad that the nasty episode was over as they enjoyed the Charleston. The supply of money was expanded further in order to allow the delicate flower of growth to thrive properly. Economic experts were excited, since they finally had proof that the state is perfectly capable of controlling the economy, and not vice-versa.

Only a couple of largely unknown economists at the time followed the big jamboree of the Roaring Twenties with suspicion. The Austrian Ludwig von Mises believed that the boosts to the economy provided by politics have the fatal characteristic of not being covered by savings – the credit granted comes from the presses printing the money and is therefore nothing other than nicely printed paper. In other words: it doesn't exist in reality. The demand resulting from this is therefore not "real", and corrections will inevitably result. The Stock Market Crash of 1929 was the culmination of an exorbitant credit expansion by the US Federal Reserve that lasted five years.

Followers of Mises still maintain today that the Crash of 1929 would have been quickly forgotten if the markets had been able to do their work and correct the excesses of a disastrous monetary policy. Instead the politicians prohibited companies in the US from lowering wages and prices. In addition to this, the state raided the coffers, raised taxes and passed import bans in order to protect the US economy from foreign competition. Subsequently trading partners also closed off their markets, accelerating increased unemployment in US companies relying on exports, in particular in agriculture. This was the first to collapse, followed by the banks and their creditors, and the Great Depression could now no longer be stopped.

What’s the truth about the distribution of generated capital? Who earns how much of what? In our ”Declaration of Independence” we have promised to provide detailed information in every asset report.

Is the world today trying to counter a similar fate? This is possible but by no means certain, however impressive the parallels with the Golden Twenties. The starting point is not a comparable one purely because of the standard of prosperity achieved. Apart from French President François Hollande and a few opponents of globalisation, nobody talks of introducing new protective tariffs any longer either.

Only the belief that the state is able to ”create” the economy and to magically make the crisis disappear by printing bank notes is as popular as it was in the Roaring Twenties. This is despite the fact that one cannot ignore the indications that government boosts to the economy show no signs of healing the economy, just depressing it. Spending programmes transport people into a world of growth illusion, thereby holding off the fear of a downturn.

In reality governments have not merely bridged the failure of investments by private companies, they have taken their place. The reason why growth on credit should not provide a permanent solution was explained in 1937 by someone who really must have known: John Maynard Keynes himself. The big fan of deficit spending thought that there must have been enough government stimuli after seven years of continuous depression, and that they were no longer of any benefit. Debt would undoubtedly claim its victims sooner or later, usually in the form of rampant inflation and sinking productivity.

Disciples of Keynes are still ashamed today of the belated realisation of their master, but this is unjustified. Eastern Germany, which doggedly refuses to thrive, is just as credible a witness of the unjustified shame as is Japan, which is up to its neck in debt and has been in crisis for years, freshly paving its streets on a continuous basis and connecting its islands with countless new bridges which in reality nobody wants, apart from the Japanese construction industry, that is. Wherever you look there are no countries where a single cent borrowed by a national government has generated more than one cent of growth; on the contrary, in each case the growth is borrowed on behalf of tax payers and future generations, not least to safeguard the personal careers of the politicians.

Or as Scottish historian Niall Ferguson put it at a meeting of the Mont Pelerin Society in New York in 2009: ”Deficits are rising as they were at the time of the world war – just with no world war. That’s a Keynesianism that causes fear.”

We state which costs have been accrued and which fees have been incurred by you. We have not earned more than what is listed there.

It is precisely this fear-spreading policy that can give us confidence. In the near future Europe will depart from its strategy that insists high levels of debt must be combated with even greater debt. Firstly because you cannot print forever without risking rampant inflation, and secondly because international investors will turn their backs on the Old Continent if the public debtors cannot provide credible evidence that they are also able to repay the loans. Thirdly, there are a number of examples which show that the route that follows market economy-oriented reforms does actually work.

And this annual report also deals of course with our favourite topic of ”independence” and how we achieved this, because we did not want to be taken in by the false reasoning that has been able to take hold in private banking for so long.

One such glimmer of hope is provided by Ireland, which just one year ago was still one of the most hopeless cases. The austerity package implemented without strikes and the flexible economic structure are having an impact today. Instead of pleading for high ”crisis” wages in order to support consumption, incomes adjusted to the economic situation.

Productivity also increases with improvements in competitiveness, and the export business is doing better than ever four and a half years after the outbreak of the crisis. Unemployment and the deficit do still remain high, although there is a strong downward trend due to the rise in tax revenues from the growing economy. Ireland is a shining example for the rest of Europe of how the crisis can become an opportunity if the prevailing problems are not drowned with artificial money but are instead solved with approaches based on the market economy.

This begins with an honest debate on who brought the large industrial nations to the brink of insolvency. Is it really through the costs of saving the banks? Not as such. Government debt in the euro area did indeed rise by 3,329 billion euros between 1999 and 2010 according to the European statistics agency Eurostat. However, 70 per cent of this growth is purely down to budgetary inefficiencies in the euro zone, i.e. those losses that would have been incurred if the economy had been in optimum condition (so-called ”structural deficits”).

The stability pact has been breached 56 times in eleven years – twelve breaches by Greece, eight by Italy, six by Germany and at least three by Austria. At 493 billion euros, 14 per cent of the rise in debt has been caused by the bank bailouts. Governments received assets amounting to 440 billion euros for these, even if these were not stated because assets do not have the effect of reducing debt under the Maastricht criteria. At worst, therefore, the financial crisis is the straw that broke the camel’s back.

It is not so much a case now of being proved right or of precisely identifying the culprits who are guilty of the crisis, but rather of offering solutions to the unsettled population and securing the survival of the European currency union.

Comprehensibility, traceability and transparency are in any event the crucial criteria in our "Declaration of Independence". To put it simply you could say that we uphold traditional values.

People no longer understand why it should not be possible for states to spend as much money as they receive. Ultimately they know that countries that can be compared with Austria, such as Sweden or Switzerland, manage this. Budget surpluses have consistently been accrued in years where the economy is good since the authorities in both countries have protected themselves through the constitution and/ or tough reforms. Budget balances in Switzerland have been consistently positive since 2006, while the budget in Sweden only dipped slightly into the red in 2009 (i.e. at the peak of the crisis).

With their debt limit secured in the constitution, the Swiss have managed to squeeze their debt level down to 40 per cent of economic output, while Swedish national debt is expected to be around 35 per cent of current GDP today, since surpluses are generated in those years where the economy performs well and these are then available for reducing the deficits incurred in less prosperous periods.

The best effect for you: you know where you stand.

Yet Sweden has not metamorphosed into a state of social deep freeze but has developed into a financially viable social welfare state which still has a generous structure. Swiss schools and universities are still among the best in the world, its roads are perfectly maintained for traffic, its trains are sleeker and more punctual than elsewhere and the health service is in no way inferior to the Austrian system. Furthermore the Swiss also receive optimum service from a slim administration, not least due to the fact that the taxes are also raised where they are spent: locally. Fiscal autonomy for the federal states would also lead to an interesting competition between the regions in Austria which could benefit the entire country.

The Swiss have recognised that high levels of liabilities on the part of a nation are highly anti-social. This also applies to Austria, a country with annual costs of eight billion euros for the national debt – despite low interest rates. That is more money than the state spends on unemployment insurance payments and health care together, and is two and a half times the amount spent on domestic colleges and universities.

The productive part of the population would also like to know how high labour costs (the so-called ”gross-gross”) can also be converted into higher net salaries, for instance by minimising charges from the state, in order to enable people to live off the hard-earned fruits of their labour and potentially manage to keep some of these for themselves, rather than having half of their income confiscated by the authorities each month to safeguard the financial future of the political interest groups.

Young people know that Austria is a country where the opportunities are unlimited. Yet this is not so much for well-educated and highly motivated individuals as for those who have the right political connections. The remaining vast majority are condemned to work for the powerful redistributing state. Work is hard and it starts early. Anyone who earns €2,500 gross pay per month in Austria costs their employer €3,281. The employee is allowed to keep €1,669 after taxes, meaning a snappy 49 per cent tax rate. That's for €2,500 gross pay. Consumption taxes and VAT come on top of this.

The best effect for our business: we have reduced the proportion of transaction costs in our commissions from 64 to 44 per cent in the last 5 years. This means that we not only cost less to our customers but have also increased the bank's earnings stability.

The parents of school-age children would also like to know why they have to put up with a state education offering that is incredibly similar to the one provided to them many years ago. Why does the state differentiate between public and private providers in terms of its financial grants, instead of appearing neutral and providing the parents of children with education cheques that can be spent at any school which meets certain minimum requirements? Just like it is done in the Netherlands, for example – an egalitarian country where over 70 per cent of children and young people spend their cheques in private schools because they offer better education compared with the state competition.

The markets are the only hope for citizens in the many states that are over-stretched. ”Dare to have more market economy” is therefore the slogan of the moment. The great thinker and crisis theorist Karl Marx made the fundamental mistake that appears to be in the nature of everyone who seems to be particularly certain of their cause: underestimating your opponent.

And as the subsidiary of a company which has been operating independently on the market for almost 185 years, we will continue to take our decisions independently and without outside influence in future.

The economic order based on accumulating capital is indeed error-prone, but it is the best error-prone system available to mankind, since it is considerably more resistant and, above all, adaptable than had been thought. For instance the major economic crisis of 1857 in the United States was over again by 1858 (in the south) and by 1859 (in the north). Excess capacities were quickly removed from the market, the remainder of the burst speculative bubbles eradicated and a return to normality was celebrated.

To do what our customers expect from us: safeguard and increase their assets with the right ideas.

The markets will also continue to do their work in future and will provide investments subject to increased risk at correspondingly higher prices. Government debts for all public budgets which take the route of sustainable financial recovery will be charged less interest than those which make no efforts at all to gain control over their addiction to spending. Contrary to general opinion it is not the ”primacy of the economy” that is currently setting the agenda but the ”primacy of politics”.

It attempts to allow citizens to dream of owning their own home, even if they have no reserve funds whatsoever and are no longer able to pay their instalments the moment that the economy shows the slightest signs of adverse winds. It attempts to exercise pressure on central banks in order to keep interest rates artificially low so that public and private debtors do not spin out of control during periods when the economy is weak. It attempts to curtail freedom of capital by banning French firms from migrating to the other, more competitive EU member states. This ”primacy of politics” over the economy is not sustainable because the route propagated by British Prime Minister David Cameron will prevail: Europe will increase its competitiveness instead of permanently being bailed out by the money printing presses. If the money required to deal with everyday life were simply to be found in the vaults of the central banks, then people would not have spent centuries working hard for their own prosperity.

The leading politicians have long recognised that the financial crisis is not the cause of the sovereign debt crisis, but just a symptom of it. Just as the gold that was lost at sea off the South Carolina coast in 1857 was not the trigger for the first global economic crisis, but just a symptom.

Let's discuss this further on 1 January 2014.