Berlin, May 14, 2014

Foundation for Family Businesses: Banks should underwrite government bonds with their own equity

Prof. Kirchdörfer:
„Correction certainly not in one fell swoop, but possible in stages.“

CEO of the Foundation for Family Businesses, Prof. Rainer Kirchdörfer, has demanded a reduction in the disastrous dependency between banks and governments in Europe. Unlike loans to businesses government bonds are recorded in the banking books as risk and need not be backed by equity. “From our perspective, there is a desperate need for regulatory correction, certainly not all at once, but in stages,” he said at the WELT - Monetary Conference 2014 in Berlin, organized by the Foundation for Family Businesses and the daily newspaper „DIE WELT“.

The consequences of favouring government bonds are „fatal“, Kirchdörfer, who is also Chairman of the Scientific Advisory Board of the Foundation, said: „The political decision-makers are blind to the true cost of their debt policies. Less stability-oriented states therefore have an increased tendency to adhere to risky financial policy.“

Kirchdörfer also criticized the loose monetary policy of the ECB. Discussions on a further cut in interest rates or a so-called „quantitative easing“ has led us astray: „The policy of low interest rates in the euro area always creates new problems, which cannot be reacted to with even more cheap money,” he noted. For banks it is more attractive to buy guaranteed government bonds from southern Europe as to finance company investments. „We see very well where the cheap money of the ECB ends up: In the hands of the finance ministers of Greece, Italy and Spain. The next debt crisis has already been programmed“

For more information:
Hartmut Kistenfeger
Head of Press and Public Relation
Stiftung Familienunternehmen
Prinzregentenstraße 50
D-80538 Munich, Germany

Tel.: +49 (0) 89 / 12 76 400 06
Fax: +49 (0) 89 / 12 76 400 09
kistenfeger@familienunternehmen.de
www.familienunternehmen.de