



Press release

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Prices exert control more effectively than the state Experts demand a concept based on individual responsibility and freedom

Family businesses support clear government rules and the social market economy. Particularly in exceptional situations such as the financial market crisis, the coronavirus pandemic and now, in view of a war in Europe, state intervention is necessary. But when does government regulation become dirigisme? Is responsible enterprise possible if economic activity must constantly be measured according to abstract moral categories?

Today in Berlin, the Advisory Board of the Foundation for Family Businesses presented its annual bulletin “Free Enterprise and State Control” in response to these questions. Its recommendation: Politically we should return to a system that allows people to take responsibility for themselves and protects individual freedoms.

The authors Clemens Fuest, Udo Di Fabio and Gabriel Felbermayr consider the efficiency of government intervention on the basis of various examples and investigate whether the same objectives could not be better met with different means and at lower cost. They do not doubt the politically defined need for action in this context, whether in environmental and climate protection, when dealing with human rights, on the global market for chips or healthcare products, or in public services; they merely discuss the choice of means and identify market economy alternatives.

The conclusions they draw, which the foundation presented at its House of Family Businesses on Berlin’s Pariser Platz, are worrying: these experts warn of considerable losses in prosperity through neo-interventionism. Their plea: government intervention must remain balanced. Not all good intentions translate into good actions. Micromanagement of businesses leads to overload without meeting the intended objectives.

As **Professor Rainer Kirchdörfer**, chair of the Advisory Board and an Executive Board member of the Foundation for Family Businesses, notes: “The invisible hand of the market does not always hold sway in Germany. Government intervenes if the market fails or macroeconomic crises get out of hand. But there is a limit. Neo-interventionism is stifling lively entrepreneurship – and thus our country’s prosperity.”

Government action is undoubtedly required, for example in regulating the financial industry or preventing the loss of biodiversity, says **Professor Clemens Fuest**, President of the ifo Institute in Munich. But he believes it is wrong for governments to control capital flows or business investment decisions. Price signals are the great strength of the market economy, thus government intervention must be tied to market economic processes.

Professor Udo Di Fabio, a former member of Germany’s Constitutional Court, highlights the problems of government intervention in the market, such as the government-imposed minimum wage



or the planned taxonomy of the European Commission. He argues that the principle of free collective bargaining and the protection of property would suffer, the market as a discovery process would be disabled and the elasticity of economic transformation lost. Care also needs to be taken when particular interests undermine the formation of democratic will.

Professor Gabriel Felbermayr, Head of the Austrian Institute of Economic Research (WIFO), looks at the EU's planned supply chain due diligence legislation as an example of a neo-interventionist approach. Efforts to force companies to maintain perfect observation of thousands of suppliers in remote countries are unrealistic. Such legislation leads to higher import costs, shorter supply chains, and a deterioration in the international division of labour.

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The non-profit **Foundation for Family Businesses** works to preserve Germany's family-business landscape. The foundation is the most important promoter of academic research in this field and the first port of call for politicians and the media in matters related to economic policy, legislation and taxation. Founded in 2002, the foundation is now supported by more than 500 companies that rank among the largest family businesses in Germany.

Its **Advisory Board** oversees the academic research of the Foundation for Family Business and offers ideas. Members include the economists Prof. Gabriel Felbermayr, Ph.D, Prof. Dr. Dr. h.c. Clemens Fuest, Prof. Dr. Dr. h.c. mult. Hans-Werner Sinn and the legal scholars Prof. Dr. Dr. Udo Di Fabio and Prof. Dr. Kay Windthorst. The Advisory Board is chaired by Professor Rainer Kirchdörfer.

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