



INDUSTRIE- UND FINANZKONTOR  
WEALTH PRESERVATION EXPERTS

# NEWS

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## RISKY GAME WITH THE FUTURE

With the emergence of the Covid-19 pandemic, it has become clear that in this new decade anything is possible and nothing is immutable. From one day to the next, open borders were closed, while social and economic life was brought to a standstill worldwide. Now, a few months later, we face a new reality. The consequences of the crisis are clearly visible.

Covid-19 has led to great uncertainty in society. The danger of epidemics is suddenly real again. To avoid infection, people are prepared to make vast concessions. All over the world, people are giving up their privacy to gain a little more security through various applications. Billions of dollars in aid are tacitly accepted, even if it is uncertain how this aid will be financed or repaid. Questions about the medium and long term consequences are being ignored. Asking them is seen as a sign of a lack of community spirit. Yet they must be asked.

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make vast concessions.**

As we struggle with Covid-19, solidarity is the top priority. The intent is to strengthen the cohesion and trust within society, and help us get through these difficult times. However, it becomes problematic when the call for solidarity is used to undermine basic civil rights, to expand bureaucracy, to hinder entrepreneurship or weaken democracy, or to increase control over the individual by methods supposedly meant to contain the virus. A look back into the past shows that such ostensibly temporary measures can mutate into a permanent state of affairs. Paradoxically, however, solidarity is disregarded when it

comes to the future of the younger generations, who will have to bear the consequences – financial and otherwise. Could the threat posed by the virus possibly be overshadowed in the medium and long term by the effects of the measures taken to overcome it?

All of us – young or old, living alone or in a family, entrepreneur, business leader or politician – should consider the consequences of the crisis initiated by the virus and then decide the right path for the long term: restrictions, control and heteronomy or entrepreneurship, trust and self-determination.

More than ever before, now is the time to address these values and realign our economic and social systems in such a way that future generations also have bright prospects, and the future is not gambled away due to fear of the virus.



*Gisela von und zu Liechtenstein  
Member of the Management  
Board*

# GLOBAL ASSET REGISTRY

A mega-project is quietly being developed that will have far-reaching consequences and represent a significant intrusion into the financial privacy of each individual. Economists Joseph Stiglitz, Thomas Piketty and Gabriel Zucman are driving forward this project, called the Global Asset Registry. Their vision is to uncover the hidden wealth of nations. But what will the consequences be?

## Greater equality and justice

Imagine that everything you own and acquire is entered in a register of assets, stating your name, place of residence and tax number. Anyone in the world can inspect and access the information about your possessions. What do you think about it?

Under the leadership of the *Independent Commission for the Reform of International Corporate Taxation* (ICRICT), to which also Messrs. Piketty, Stiglitz and Zucman belong, work is underway on a global, centrally managed asset register. A first Global Asset Registry Workshop, held in Paris in July 2019, generated a wealth of ideas. Land, houses, apartments, other real estate, cars, bank accounts, life insurance policies, safe deposit boxes – all types of assets, without exception, could be included in this register, and it should be as accessible as possible to the public.

In the *Roadmap for a Global Asset Registry* (GAR), ICRICT argues that the prevailing inequality of wealth poses a serious threat to the economy, society and democracy. It does not explain exactly what this danger is. But it does see the solution in the complete disclosure of property ownership. The ICRICT admits that the effective extent of wealth inequality is unknown. But it hopes that the GAR will bring hidden wealth to the surface and then reveal the extent of wealth inequality.

To this end, ICRICT wants to link the wealth data that the GAR collects with those already collected by existing instruments – such as the Common Reporting Standard, the Beneficiary Register or Country-by-Country Reporting – or those contained in other national registers. Any additional data could then be collected at a later stage. Those behind the project eventually want to be able to trace asset ownership back to its origin, if possible.

## For the common good

The ICRICT justifies its striving for comprehensive asset transparency by stating that it wants to revive a «broken social contract», according to which private property only receives protection from the law if, in return, ownership

relationships are disclosed and applicable taxes are paid. The argumentation suggests that it is striving for an ideal «Contrat Social» in which the common will and the common good prevail over everything. Individual rights and goods are to be subordinated to this common will and common good. The conviction seems to be that inequality of property becomes inequality among people. Conversely, however, this means that there would no longer exist any room for individual freedom of action and decision-making, or for property rights.

**The quest for  
full transparency over assets  
shall revive a  
«broken social contract».**

Political decision makers are an important target group. As outlined in the GAR Roadmap, ICRICT would like to give them a basis for discussing an «appropriate» level of inequality and supporting appropriate taxation. Furthermore, ICRICT sees the GAR as an instrument to prevent crime and abuse of power; tax authorities or citizens of corrupt states should be able to take action against their governments. They argue that the advantage for ordinary citizens or businesspeople is the complete transparency and the resulting convenience of only having to sign tax returns, for example. The data on belongings would already be stored centrally.

## What role does Covid-19 play?

The project's argumentation is largely based on estimates and assumptions. It follows the widespread notion that the «rich» are getting richer and the «poor» are getting poorer because a certain percentage of the world's wealth is accounted for by a certain percentage of the population, and this percentage is decisive for all social problems and injustices. This is the basis for the idea that justice is achieved when everyone has the same amount of wealth. But is it not much more important that people have the ability to exit poverty and the chance to increase their living standards, instead of everyone having equally much or, conversely, equally little?

Discussions about rich and poor often fail to take into account that worldwide poverty has fallen significantly in recent decades (as confirmed in surveys by the World Bank and other organisations), and that living standards are generally much higher today.

The measures initiated because of Covid-19, however, could interrupt the decline in poverty, leaving a lasting mark on the economy and society. Across the globe, social and economic prosperity will weaken and poverty will increase again. Here and there, the virus will also tempt to maintain restrictions on fundamental rights and increase control over citizens.

A comparison of these developments with the objectives of the GAR reveals a complex picture of the future: The opportunities to shape life according to one's own ideas will dwindle. The right to own, use, dispose of and bequeath legitimately acquired property will gradually be restricted. Authorities and centralised organisations, on the other hand, will be given greater scope for action.

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**What does this mean for the future?**

The world is moving into a challenging age. The claim to equality and justice ignores the fact that in a world where everyone is equal, no progress can be made. To paraphrase Friedrich A. von Hayek: «A social market economy is not a market economy, a social constitutional state is not a constitutional state, a social conscience is not a conscience and social justice is not justice.» Why? Because with the word «social» individual liberty rights are being gradually eroded.

Whether and how the GAR project will be able to really establish itself depends ultimately on the extent to which politicians, especially in Western democracies, will adhere to the principles of the rule of law – because the project attacks the principle of the rule of law and personal rights. It will also depend on how aware each individual becomes of the dangers that emanate from such comprehensive transparency.

A global register of assets would neither bring crime to a standstill, nor would it close the gap between rich and poor, nor eliminate inequality. On the contrary, it would make a mockery of fundamental human rights and expose every citizen. Social progress and social prosperity would be destroyed because private property would be destroyed.

**Realism instead of clichés**

The GAR Roadmap also argues that offshore structures through foundations or trusts hide the existence of property and provide fertile ground for tax evasion, tax avoidance or financial crime. Here, the authors seem to be deliberately negating all developments of recent years in the field of tax compliance and the fight against money laundering and terrorist financing in favour of their project.

The purpose of foundations, trusts or other legal asset structures is to organize assets in such a way that business, family or charitable goals and projects can be realized. However, this presupposes that assets are preserved and protected, for example against the dangers arising from current political and economic developments. Foundations and trusts are instruments with which assets can be preserved over the long term and aligned with a specific purpose – so that also future generations have good prospects.

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# «WHATEVER IT TAKES»

Around 6 trillion US dollars in the United States, just under 1 trillion US dollars in Japan and around 500 billion euros from the European Commission, which does not yet include the support totals of the individual member states – these are just a few of the sums that are being channelled into economic stimulus programmes worldwide to alleviate the crisis triggered by Covid-19. This is because estimates from the Organisation for Economic Co-operation and Development (OECD) suggest that the coronavirus crisis will reduce added value in industrialised countries by around 25 percent.

According to calculations by the International Monetary Fund (IMF), global public debt amounted to 83 percent of economic output in 2019. Forecasts have this ratio approaching 100 percent in 2020. The G20 countries' economic stimulus packages already amount to almost 10 percent of gross domestic product (GDP) in 2019, while at the same time the measures to curb Covid-19 are causing a supply and demand shock. For example, the IMF expects the global economy to collapse by 3 percent in 2020. Currently, more accurate figures are unavailable.

## The challenges

The dilemma now lies in the large mountains of debt piling up on one hand, and sources of income stagnating on the other. The IMF has already said that governments should be quite generous during this period, but also keep clean accounts – because eventually, the day of reckoning will come. And the epidemic is not yet over.

The situation is exacerbated by a monetary policy that may work today because there is no immediate danger of inflation. In the medium term, however, it increases the risk of market distortion and bubbles forming in tangible assets.

The key interest rates of the US Federal Reserve (the Fed) and the European Central Bank (ECB) are already hovering around zero. This deprives savers and pension systems of their foundation for building up capital. In addition, authorities are relaxing the criteria for purchase programs to buy risky securities. With the financial crisis, central banks' balance sheets have been continuously inflated, now this trend is continuing.

If we link the situation in monetary policy with the shrinking economies and rapidly growing national debts,

and if we also take into account the debt ratio of companies and private households, a picture of a very fragile future emerges. With the current manoeuvres, the Fed and ECB are increasingly restricting their scope for action, so that they will be unable to prevent the debt spiral from spinning out of control.

## Request for farsighted planning

In this «whatever it takes» environment it is important to act with caution. Eventually, states will have to recoup the money they are spending now. They will not be able to avoid expanding their revenue streams. New types of taxes and levies are already being discussed. Regulatory pressure will also increase and the pressure on «offshore», now synonymous with private wealth, will continue to intensify. Although the realisation of a global asset register is still a long way off, it does indicate a direction in which the world is developing. It is therefore necessary to take precautions and plan and structure one's own assets with foresight so that they are secured against future challenges of all kinds.

For an asset structure to be sustainable over the long term and across national borders, it must meet the long-term goals, requirements and circumstances of a family, while at the same time taking into account the relevant legal, regulatory, tax, economic and business requirements. Every asset situation is different. It is therefore important for an asset structure to be tailored to the client's needs and yet flexible enough to allow it to be adapted to changing circumstances in the future.



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