

“THE BIGGEST PROBLEM IS THE DEBT PROBLEM” – INTERVIEW WITH H.S.H. PRINCE MICHAEL OF LIECHTENSTEIN (PART II)

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“*Like medieval alchemy that failed to turn lead into gold, today’s easy-money folly of central banks and governments will lead to crisis, not economic growth and prosperity.*” – H.S.H. Prince Michael of Liechtenstein

Claudio Grass (CG): Despite its formidable tradition and the “Old-World” heritage that Liechtenstein was founded upon, the tiny principality has been incredibly agile and efficient in embracing and fostering entrepreneurship, innovation and new technologies, the most recent example being the support for blockchain and crypto-related businesses. Overall, what are the main benefits derived from embracing rather trying to stifle and control innovative ideas and new technologies?

H.S.H. Prince Michael of Liechtenstein (PML): Society, as well as nature, is in a constant process of change and evolution. The best way to channel developments in a direction of the general well-being of society is to embrace entrepreneurship, innovation and new technologies. New technologies and innovation are needed and if these are limited and controlled it results in a lack of competition and consequently in a misallocation of all resources, especially the own population.

Liechtenstein is a small country. As in nature, small countries have to be more agile and vital in order to survive.

CG: What are the key challenges and opportunities you can see emerging from this ongoing technological push towards decentralization and digitalization? As new ideas and systems give power back to the individual, do you expect to see a social impact, apart from an economic one too?

PML: All new positive technologies make men more efficient and a society more prosperous. The fear that there will be less jobs due to new technologies such as robotics, artificial intelligence, etc. is unjustified. In fact, new technologies will create new types of jobs. The challenge will be to manage the transformation.

Blockchain with its system of decentralization has the big advantage that the individual becomes much more independent from centralized institutions such as state agencies or some private providers such as banks, notaries, etc. This will have a very positive social impact, as the grip of government on individuals will become weaker. And the economic advantage will be a considerable reduction of transaction costs. Blockchain will be successfully applied in many areas, but it will need time for the benefits to ripen.

CG: It can be argued that we are going through strange times geopolitically, with the US shifting away from its traditional leadership role in many global issues and with rising trade tensions threatening to rupture or redefine key alliances. At the same time, we see a lot of political undercurrents in Europe rise to the surface, with key electoral victories of anti-establishment parties and movements. In your position as the Founder and Chairman of Geopolitical Intelligence Services (GIS) in Vaduz and from your own extensive experiences, do you believe this period to be unique or do you see historical parallels and patterns that might guide our expectations and outlook?

PML: The World is in a time of extreme political disruptions. But we had similar times before, especially in the age of Renaissance in Europe which finally shaped today's situation in the continent. It is very difficult to apply historical parallels and patterns. World War I was an incident not as disruptive as the Renaissance, but started a new period of European and Western decline. But the time before is a good example to see today's lingering conflict between the US and China. The mistakes that the European powers made in the late Nineteenth Century with the outbreak of World War I should be a warning for today's politics.

CG: The global economy also seems to stand at a crossroads. After a decade of heavy-handed interventions by central banks in all major economies, combined with an explosion in debt levels, it would seem that unsupported, “organic” growth is arguably dead, while financial markets are addicted to low rates and central bank accommodations. How do you evaluate the impact of these policies and what are, in your estimation, the biggest economic risks moving forward?

PML: The biggest problem, not only economically but also politically, is the debt problem. It is unimaginable, how this madness of creating more and more debt and just pushing the economy by inflating the money supply will end. The only outcome one can imagine now is that the resulting catastrophe will be big. A small group of people already believes that the only solution, as terrible as it is, will be a major war. I cannot really disagree with that assumption, because the resulting crisis might lead to more and more political tensions, which could unload like a thunderstorm in a war. How such a war will happen is unclear, it might be limited to the cyber sphere or it might also be likely that traditional military forces will be deployed.

CG: In this context, what do think the role of gold will be in the coming years? What do you make of the fact that we’re seeing key central banks, e.g. in Russia and China, racing to increase their reserves in recent years?

PML: I think [gold](#) will always play an important role. People simply trust in it, although it is not always very practical. I believe that the central banks in Russia and China have seen the possibility to increase trust in their currencies by having larger gold reserves. This is important, because we must not forget that the value of money is based on the trust of the people who use it. Gold is a good hedge against the inflated amount of the currencies which will finally destroy the trust that people still have.

CG: Your own experiences and achievements, as well as the history of the House of Liechtenstein itself, serve as proof that resilience is an attainable goal, even during harsh and unpredictable times. What would be the key lesson or the most important piece of advice that you would give to an individual today, who seeks to build and protect their wealth over the long term and to provide security for the next generations?

PML: The most important gift and legacy one can give to the next generation is to be a good example of assuming responsibility. Already at a young age, children should learn that there are few entitlements, but the biggest gift you get in life is freedom of choice and being personally responsible for your life. Families who want to preserve their wealth over generations have to see wealth as a responsibility. A family who has this understanding reaches the goal of resilience.

Claudio Grass, Hünenberg See, Switzerland

Link zum Interview: <https://newsroom.proaurum.de/the-biggest-problem-is-the-debt-problem-interview-with-h-s-h-prince-michael-of-liechtenstein-part-ii/>

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