

Government intervention leads to misallocation



Readers of this column are accustomed to reading from time to time about the long-term advantages of investing in stocks. Although the issue has not progressed in politics for decades and Germany has fallen far behind its neighbors in terms of its citizens' wealth, all federal governments have been expressing positive intentions to promote stock ownership for years.

The new federal government under Chancellor Merz, who took office with many promises of reform, is no exception. However, as was to be expected, nothing tangible has come of this so far. It was no different with the previous government. Initially, they said they wanted to introduce a "stock pension." But when the headwinds became too strong and classic socialist narratives emerged (e.g., one should not speculate with pensions), the train was sidelined. Attempts to revive it under the appealing term "generational capital" failed, as did the entire "traffic light" coalition government.

There are many reasons why German citizens are unable to become co-owners of productive capital through share ownership. The fact that the state plays a re-

markably negative role in this regard is easily discernible from its tax policy. For today, it may suffice to compare the taxation of capital gains and dividends on shares with the taxation of cryptocurrencies. While share price gains are subject to 25% capital gains tax plus wealth tax (solidarity surcharge) and, in some cases, church tax, profits from cryptocurrencies are tax-free after a one-year holding period. Given the strong tendency to save on taxes in Germany, the state effectively treats an insubstantial speculative asset much better in terms of taxation than participation in the economy. And corporate profits, if they are distributed at all, are taxed at almost 50%. If we also consider the privileges enjoyed by government bonds over shares, it is hardly surprising that Germany lags far behind the

average when it comes to share ownership and wealth.

There are many reasons why German citizens are unable to become co-owners of productive capital through share ownership. The fact that the state plays a remarkably negative role in this regard is easily discernible from its tax policy. For today, it may suffice to mention the taxation of Overall, it is clear that state intervention leads to enormous misallocation of wealth. But nowhere is this clearer than in the subsidy policy in the energy sector. Without state subsidies and guarantees, solar and wind power plants would have to face market conditions of supply and demand and the associated prices. In fact, investments in Germany are predominantly only made if the state provides generous subsidies. In-

terpreted correctly, this means that these investments are not financially viable at all without the state. Citizens can see the result of this subsidy policy on their electricity bills.

In recent weeks, it has become clear that a "tariff compliance law" will be passed and that, contrary to previous announcements, the "heating law" will not be abolished, but merely modified. No one should be under any illusions about the consequences of excessive state control on

prosperity. Ludwig Erhard warned: The state can only give citizens what it has taken from them beforehand, minus the huge administrative costs.

Your fund manager and co-investor



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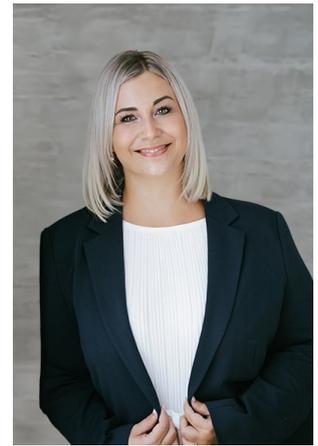
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