PRESS RELEASE

FINANCIAL REPRESSION DESTROYS SAVINGS: EUROPEAN SAVERS BAILED IN BY ECB

22 April 2016 - At the end of 2013, at the occasion of the publication of its yearly report on the real return of pension savings, Better Finance warned of the risk of a disastrous eradication of European savings across the board. Nearly two and a half years later and the warning goes unheeded, with the European Central Bank intensifying the financial repression of European Savers by further lowering its main interest rate from 0.5 to 0.25 percent. Now this fear is spreading to all actors - savers and retirees, insurers, pension funds, even bankers - threatening the whole edifice of pensions and savings.

Axel Kleinlein, the head of Germany's Association of Insured Persons (BdV) and member of Better Finance, stresses the fact that lowering interest rates even further effectively crushes all hopes of decent pensions in the future and has started a campaign against the role of the ECB, which was relayed by the media all over Europe.

What is at stake is the entire monetary policy of the European Central Bank. This is the climax of financial repression.

Financial Repression refers to a set of governmental or central bank policies that keep real interest rates artificially low or negative and regulate or manipulate a captive audience into investing in government debt. Central banks started to fund banks at very low interest rates, most often asking for government debt as eligible collateral. Then central banks engaged in quantitative easing campaigns buying up sovereign bonds directly on the market. To complete the picture central banks try to keep inflation alive through quantitative easing policies in an attempt to further reduce the weight of sovereign debt in the EU Member States, but in the process also obliterating the value of all savings.

Indeed, we know that inflation is the weapon of mass destruction of savings and savers. Today, thankfully, the desired inflation has so far failed to materialise. Policymakers believe that low interest rates will encourage consumption but fail to take into account basic human nature: a small saver faced with low or even negative returns, is more likely to brace for hard times, tighten the belt and stow money under the mattress for a rainy day.

As President Jean Berthon say “It is more than time to oppose by all means this disastrous policy and we call on all Member Associations of Better Finance to actively campaign in their home country to force the central banks to drastically change their policy.”

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