

After the Crisis: Lessons learned?

Responsibility and ethics of managers in large companies

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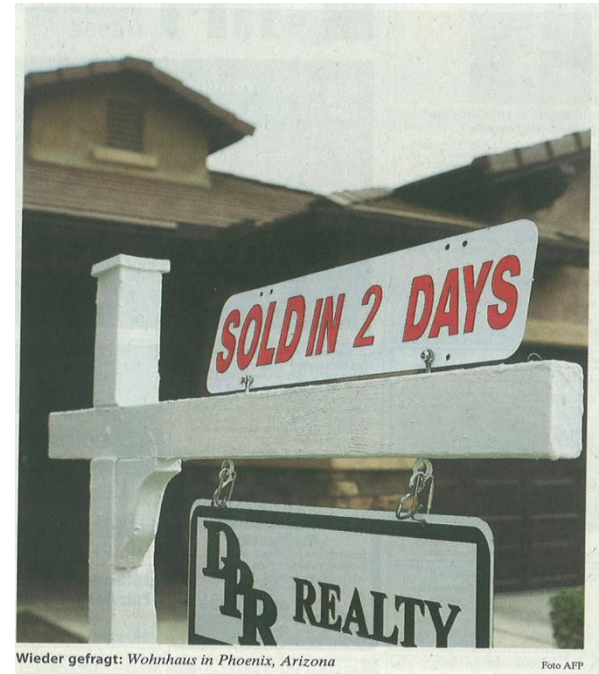
1. Crisis? What crisis?
2. Flux of profit in a large company
Examples: Volkswagen and Deutsche Bank
3. Economic situation in the European Union
4. How companies try to avoid taxes:
With a little help of the „BIG FOUR“.
5. Outlook – what has to be changed in future?

Chapter one

- Crisis? What crisis?
- The starting point: the real estate market in the US

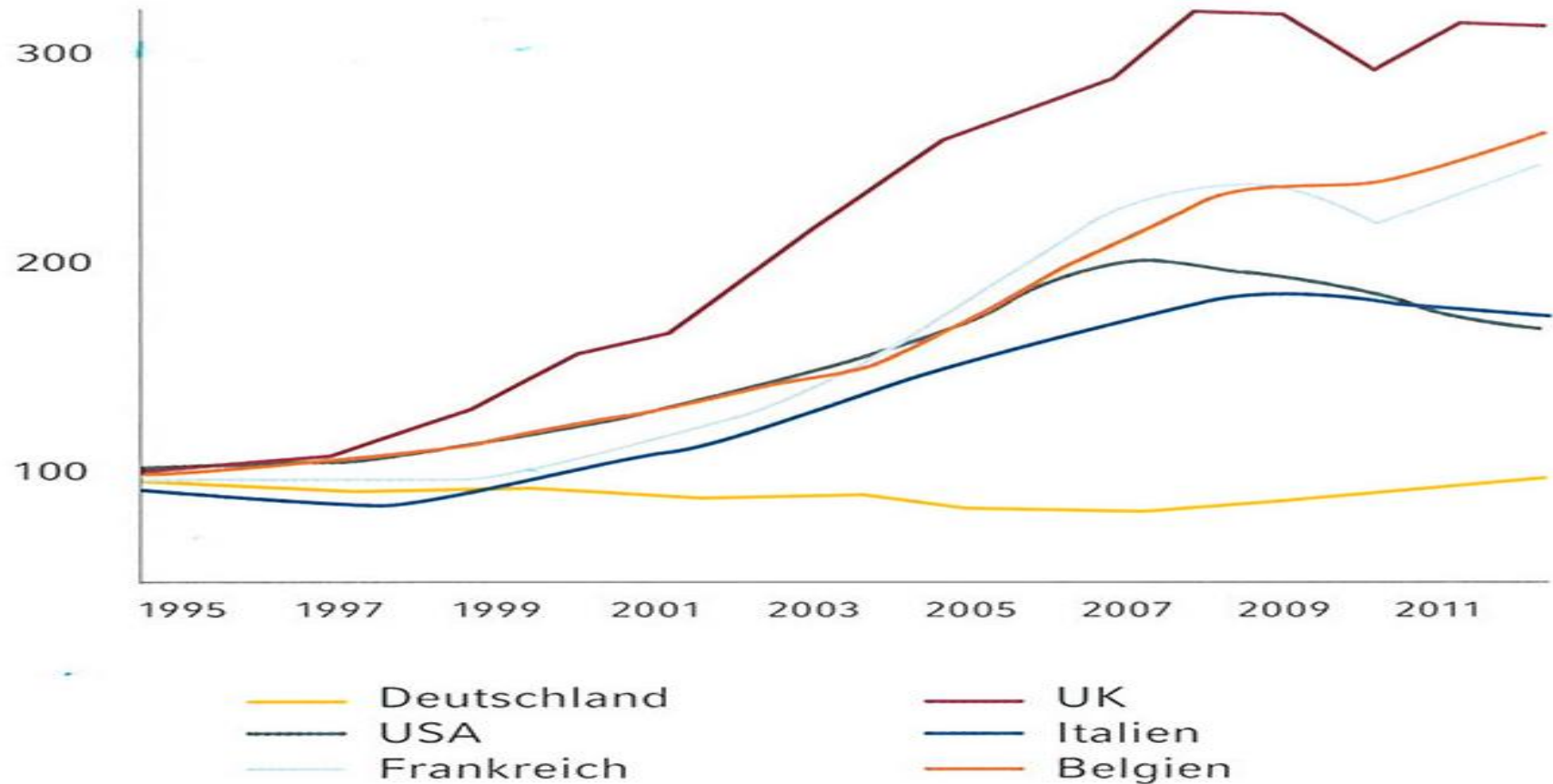
How did it all begin?

- Real estate bubble in the USA
- Mortgage up to 200% of value
- Real estate market was attracted enormously
- Houses value increased to unrealistic heights
- Many of US citizens canceled their pension and life insurance policies to invest in real estate
- Eventual failure of the market
- Effect: Banks had bad loans. These loans were not backed by tangible assets and were sold on in a big style.
- Effect: More and more banks were drawn into the swirl.
- The Lehman Brothers bank stumbled first and got bust. Insolvency in Sept. 2008
- From there, the problems spilled over to other western civilizations – with effects until today.



How did it all begin?

Nominale Hauspreisentwicklung
1995 = 100

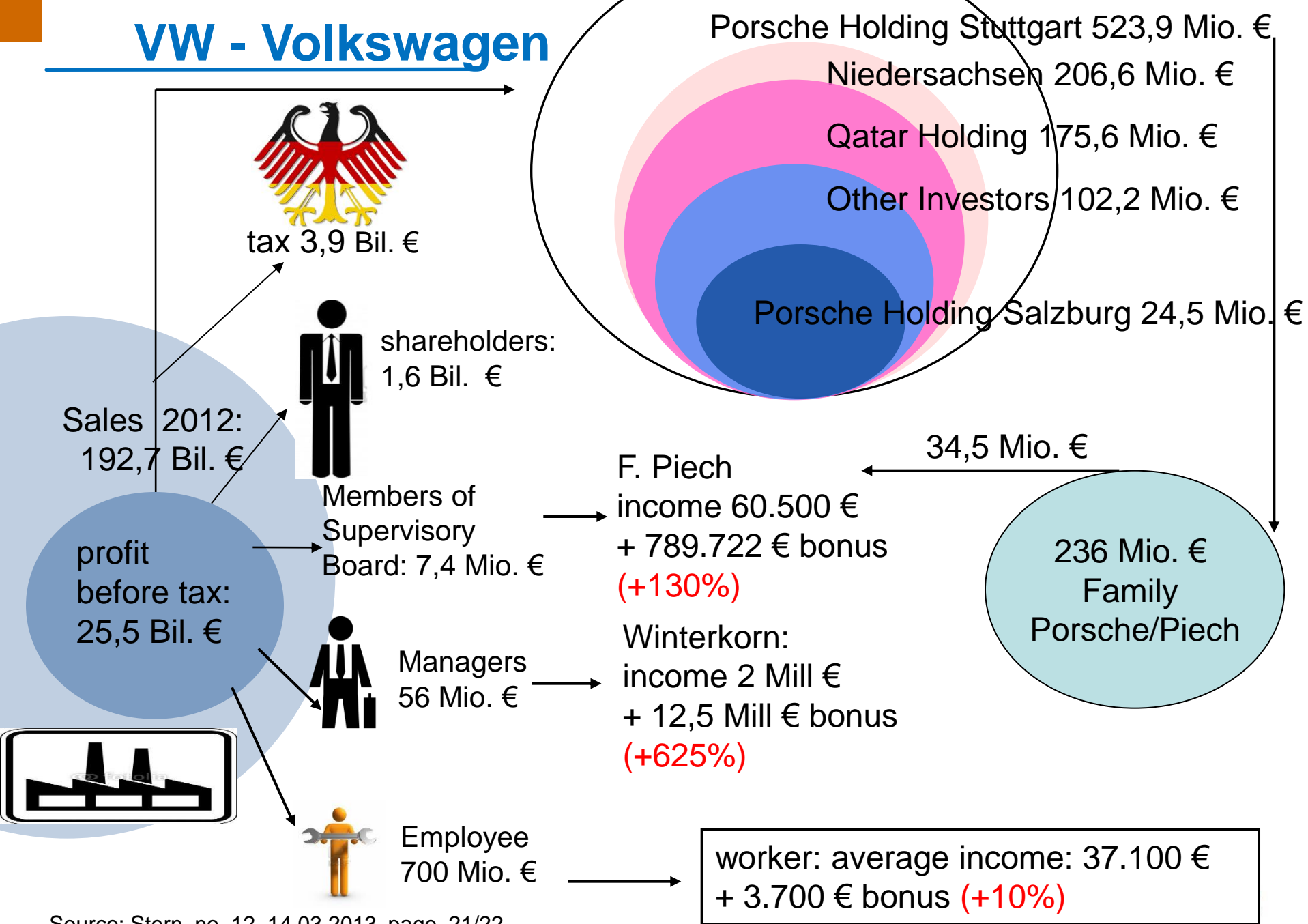


Quellen: OECD; Barclays Research

Chapter two

- Flux of profit in a big company
- Example: Volkswagen

VW - Volkswagen



Source: Stern, no. 12, 14.03.2013, page 21/22

Chapter two

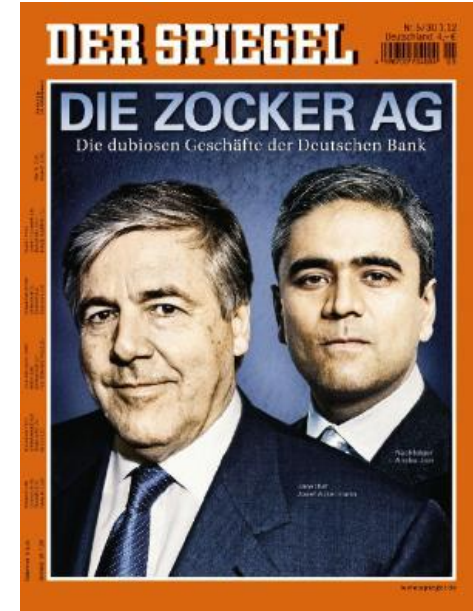
- Flux of profit in a big company
- Example: Deutsche Bank

„More proximity to customers“ – That’s the new motto! –
Do we have a cultural chance at the Deutsche Bank?¹

Income of invest bankers: 3 times more than other
employee¹

Income per head in capital market business: 170.000 €¹

Income per head in branch business: 57.000 €¹



Source picture: Spiegel 05/2012

Anshu Jain in 2008: It is believed:

His most profitable colleague got bonus of 80 Mio. € for “cheating
and lying in Bank business” (manipulation of Euribor- and Libor-
interest rates)? ²

“The problem is that bonuses have grown so enormously that no
normal person can understand it anymore.”³

Source: ¹ spiegel online, <http://www.spiegel.de/wirtschaft/unternehmen/deutsche-bank-verteilt-milliarden-boni-in-der-investmentsparte-a-894472.html>, ² Stern 08/2013, page 66, ³ <http://www.welt.de/wirtschaft/article114704914/Deutsche-Bank-Chef-verzichtet-auf-Millionen-Bonus.html>

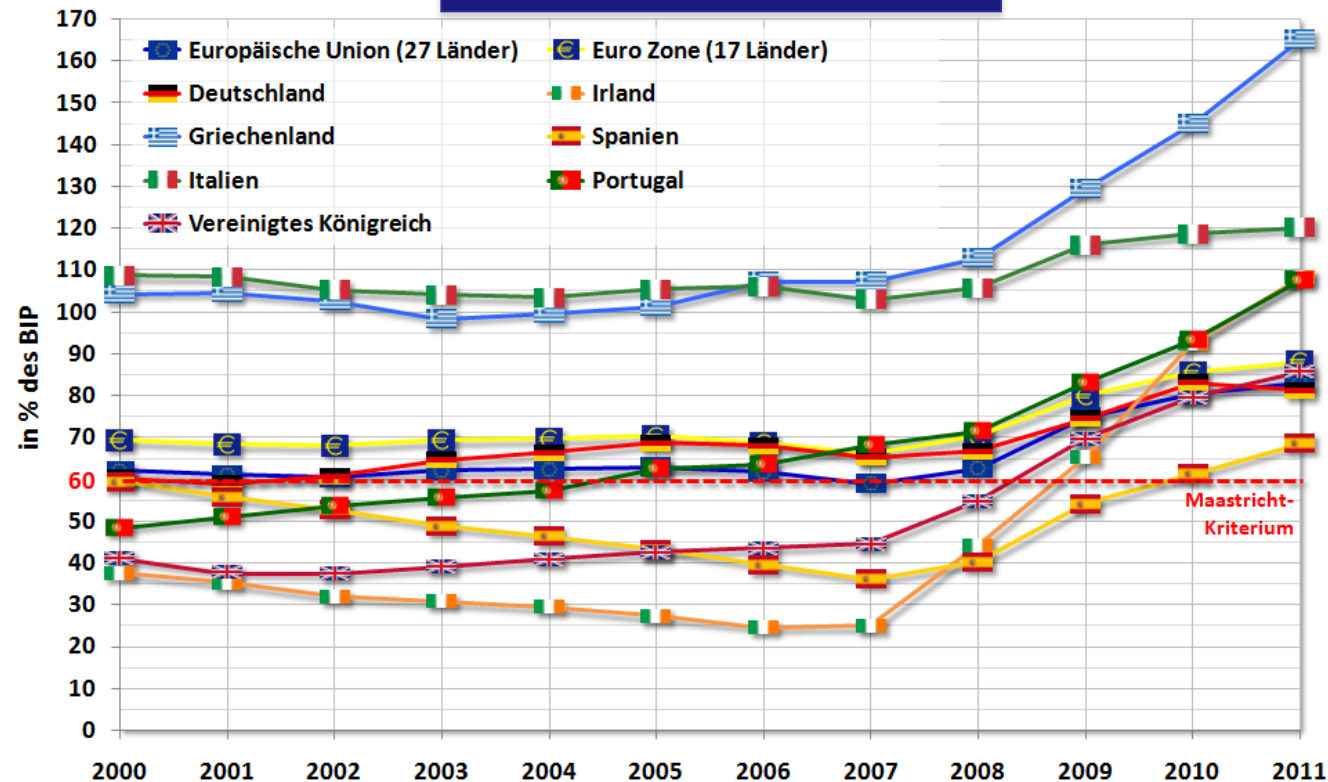
Chapter three

- Situation in the European Union
- Economic figures

Situation of the European Countries after the Lehman Crash

Rise of public debt in all countries, no country reaches the Maastricht-criteria anymore, situation in Greece, Italy and Portugal more than critical.

Public debt



Source: Ameco data bank from European Commission, 19.08.2012

Flux of money in Greece and Cyprus since 2009

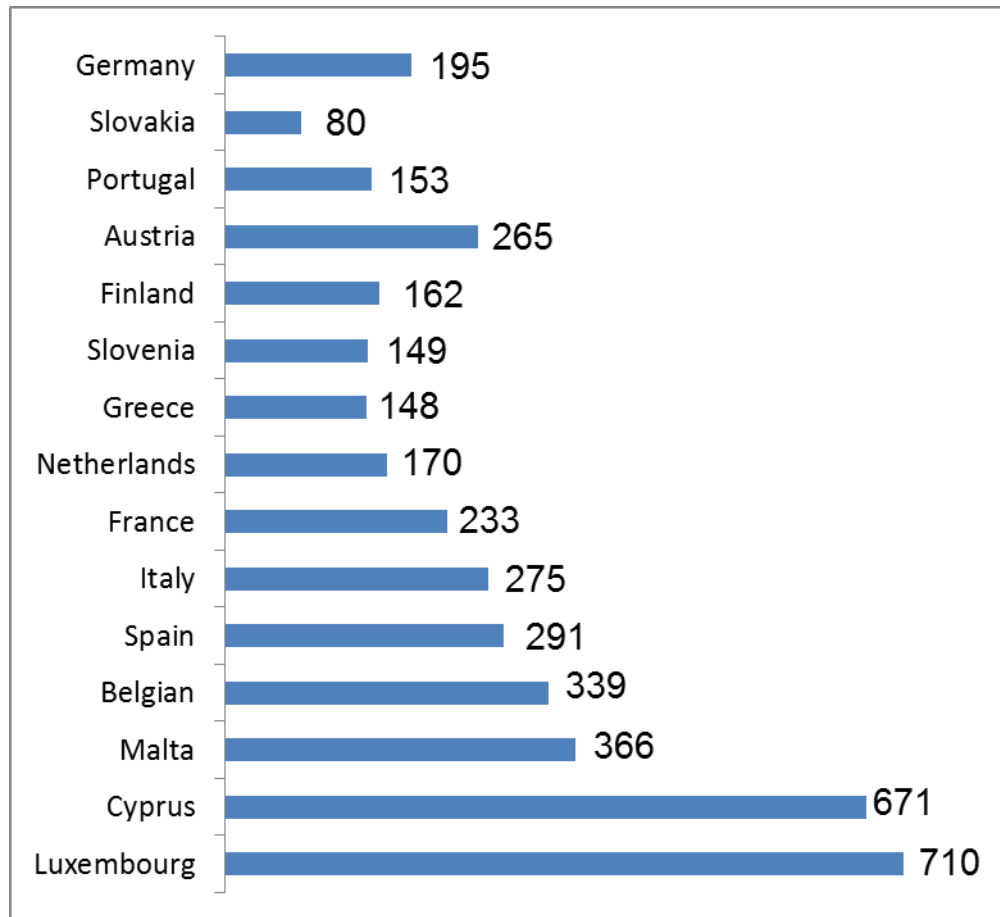
2009 – 2011

- 24 Bil. € from Greece to Switzerland¹
- At the same time 20 Bil. € from Russia to Cyprus, which is more than the gross domestic income product (18 Bil. €)²
- 70 % of all business in Cyprus is in the banking sector³
- Rate of taxation in Cyprus: 10% on profit³

Source: ¹ Stern 52/2012, page 66, ² Stern 7/2013, page 56, ³ Stern 7/2013, page 58

The Slovaks are the poorest in Europe?

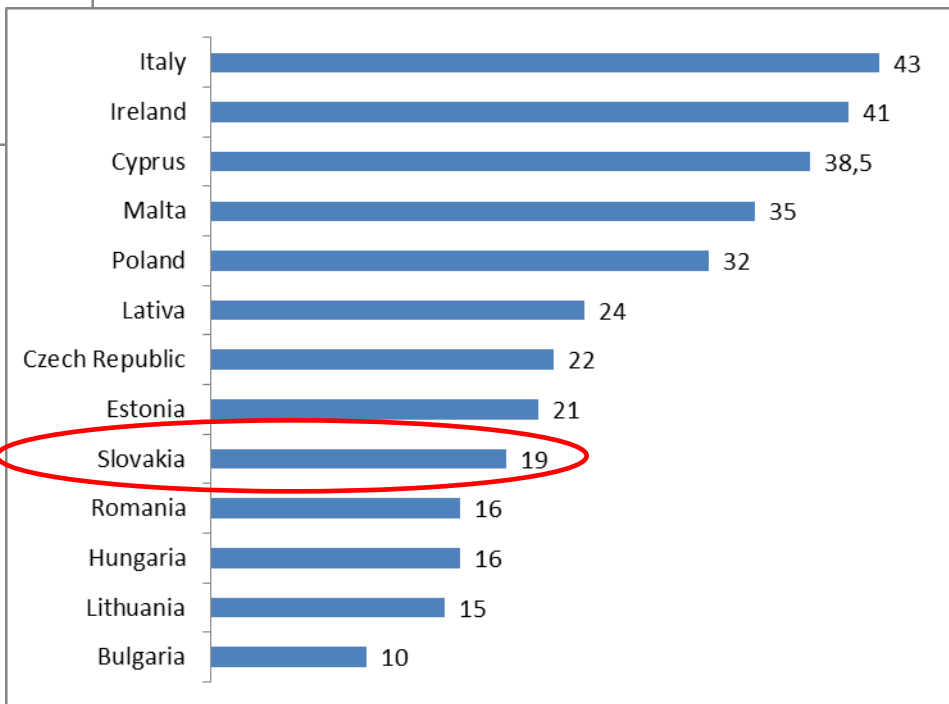
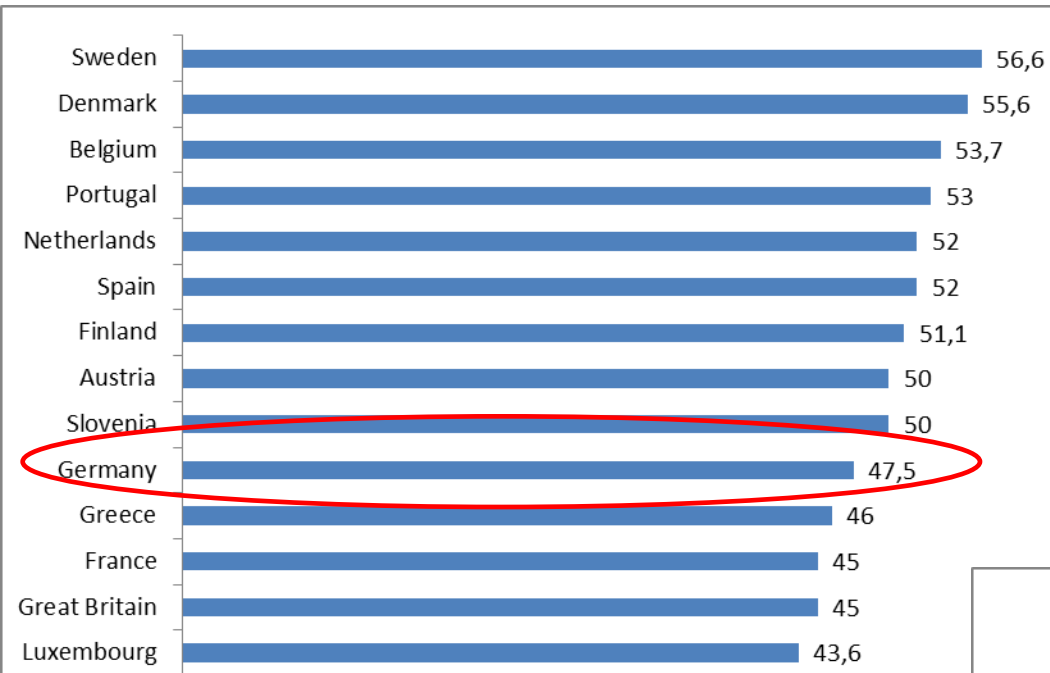
Asset distribution in the Euro-Zone



Annual income

Germany	44 T€
Slovakia	14 T€
Portugal	20 T€
Austria	44 T€
Finland	45 T€
Slovenia	22 T€
Greece	28 T€
Netherlands	46 T€
France	37 T€
Italy	34 T€
Spain	31 T€
Belgium	50 T€
Malta	26 T€
Cyprus	43 T€
Luxembourg	84 T€

Comparison of income tax 2013



Source: Dresdner Neusten Nachrichten, 23. Jg, no. 100,
30.04.2013, page 2

Chapter four

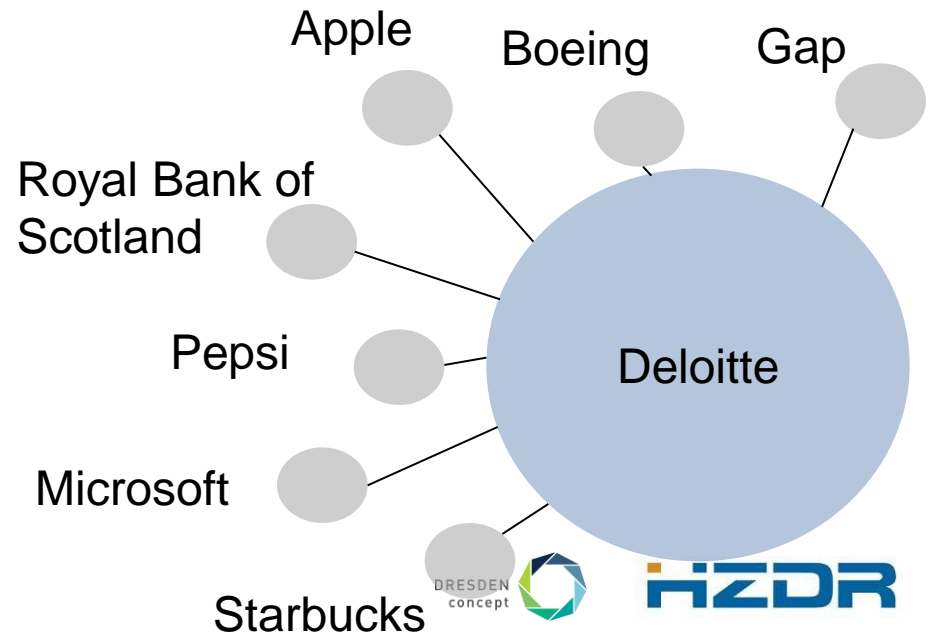
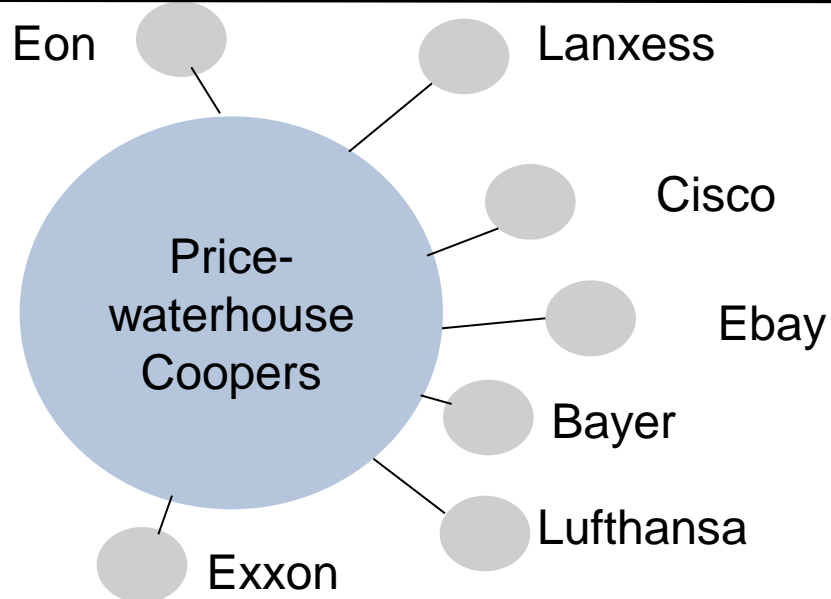
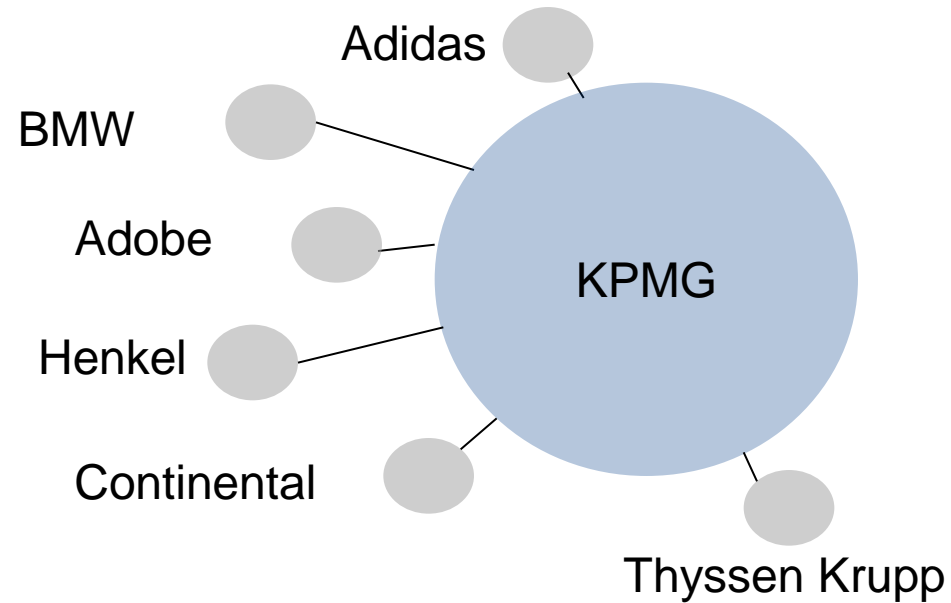
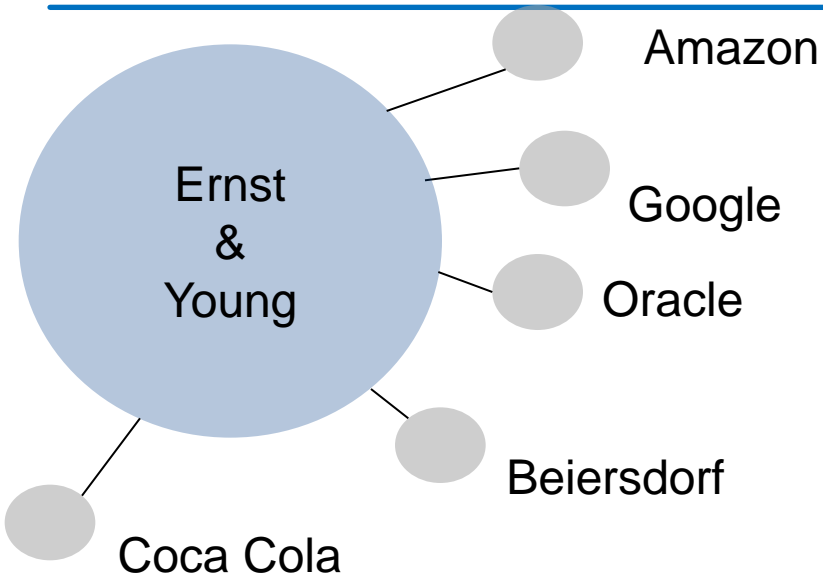
- Why should companies pay taxes?

- Task of a company is to earn money.
- You can also earn money, if you avoid unnecessary spending.
- Taxes are expenditures without direct value for a company like personnel, material, investments.
- Taxes are used to finance socially demands:
 - school/education
 - social structure
 - health system
 - infrastructure/traffic
 - safety/defense
 -

Chapter four

- How to avoid taxes?

THE BIG FOUR



Source: Stern, no. 12, 14.03.2013, page 86

What do the big four?

- Tax planning = tax saving = no tax at all!
- More than 700.000 employee in more than 150 countries, generate 100 Bil. € each year by saving taxes for companies.
- Business model:
 - Tax consultant and auditor in one model
 - Development of potential tax loopholes
 - Aggressive tax planning
 - Radical tax avoidance
 - Tax Innovation Center and Tax Services Think Tank
 - Staff are observing tax laws around the world and and combine the smallest gaps in the law to new models of tax-saving: they turn to legal loopholes
 - The Big Four sell tax holes!
 - Aggressive tax planning means: Rebuilt a company to a new global labyrinth of groups of companies in different countries



What is the outcome of the work of the Big Four for societies in the end?

- Google or Amazon pay 1 to 3 % taxes to profit
- Starbucks in Great Britain doesn't pay tax at all

Source: Stern, no.12, 14.03.2013, page 85-88,

Benefits at the expense of others?

Is this okay?

In the past, only people had a high reputation, who took risks personally and were willing to stand up for the consequences of their actions.

Today it is just the opposite:

We are witnessing the emergence of a new class of false heroes: bureaucrats, bankers, sharky managers.....

They gamble with the total system for their own benefit - and the society has to pay the bill.....¹

AND THAT IS NOT OKAY!!

Chapter five

- Outlook – what has to be changed in the future?

Outlook – what has to be changed?

We need new laws and regulations!
As soon as possible!

Such as:

- Limited bonus payment
(Annual bonus not more than double income)¹
- Responsibility for bonus decisions to the share holders!¹
- No guarantees anymore for banks that gamble¹
- List of forbidden transactions for banks¹
- High penalties for misbehavior¹
- Responsibility and punishment for false manager decisions no matter if they are still in the company or not¹
- And so on

**Maybe, one day you will be a manager
yourself.**

**Than you will have a chance to decide
what you will be:**

Greedily or responsible.

Thank you for your kind attention!