



WEGELIN & Co.

PRIVATBANKIERS SEIT 1741

# Do Western Societies need an Impairment-Writedown?

Dr. Konrad Hummler

Marshallplan-Jubiläumsstiftung

Vienna, 21 October 2010

# A lonely student in a sea of flames

Desperation and perplexity dominating both fronts



## Tinder remains tinder

Excessive debt is the core of the problem



# Fundamental structural problems

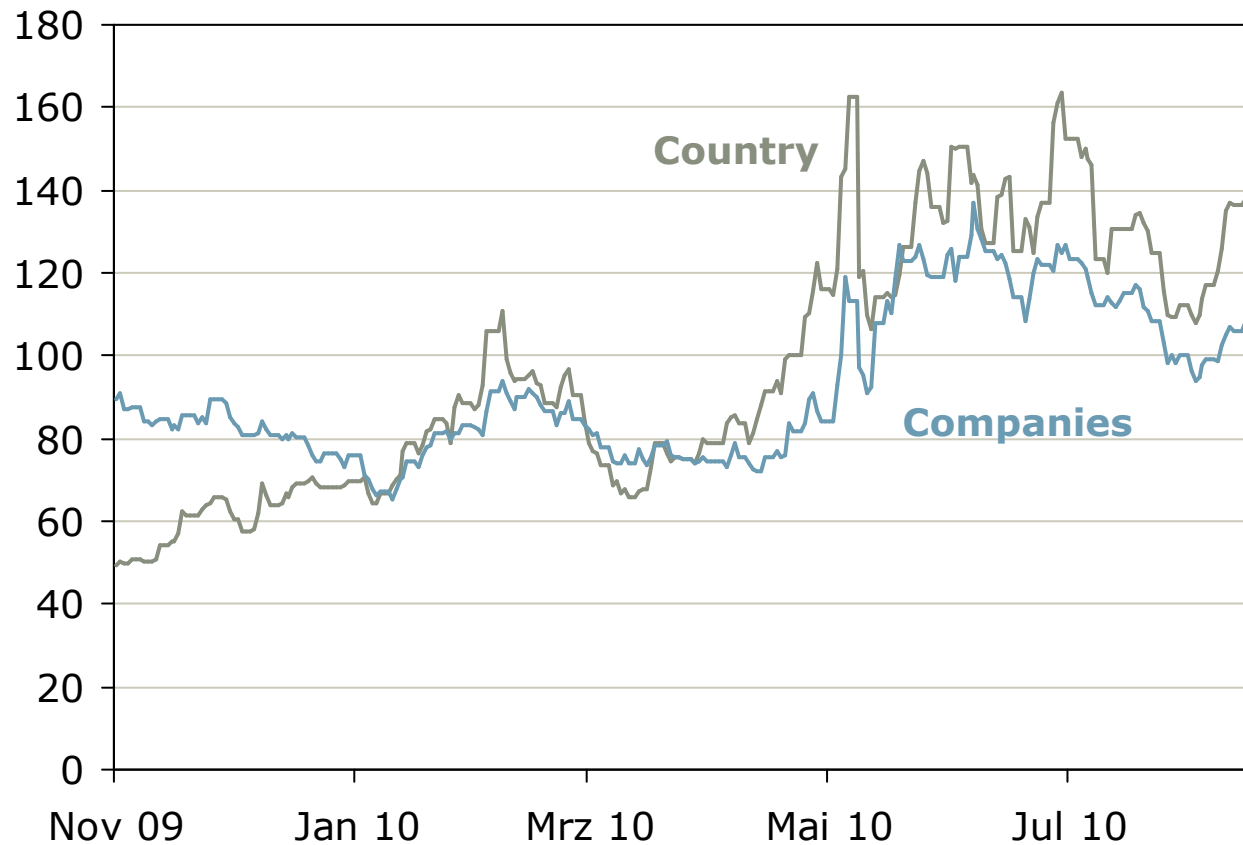
Structural problem of developed social systems



## Risk premiums for corporate and government debt

Unease expressed through the prices paid in the market

iTraxx CDS Indices (basis points)



Note: Country = iTraxx Sovereign Western Europe Index, Companies = iTraxx Europe Index  
Source: Bloomberg

# Counterproductive stimuli

Free pass under the pretence of “system stability”

**PRESS ROOM**  
U.S. DEPARTMENT OF THE TREASURY

February 10, 2009  
2009-2-10-15-14-19-7199

Treasury Secretary Tim Geithner Outlines Comprehensive Financial Stability Plan



On Tuesday, February 10, 2009 Treasury Secretary Tim Geithner outlined the Financial Stability Plan: [Deploying our Full Arsenal to Attack the Credit Crisis on All Fronts.](#)

## Financial Stability and Recovery Act

- Capital Assistance Program
- Consumer and Business Lending Program
- Home Affordable Modification Program
- Public-Private Investment Program
- **Effect: approx. 750,000 jobs created with \$ 787 bn.  
= \$ 1 million spent per job created**



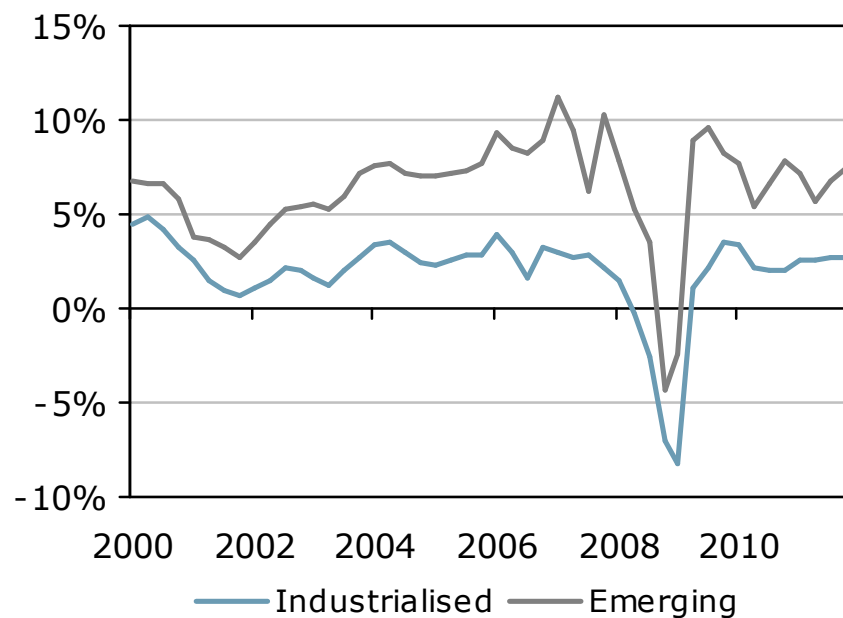
## European Financial Stability Facility

- Preserving Financial Stability
- Providing Financial Assistance
- Financial Safety Net
- **Effect: CDS of European countries still rising**

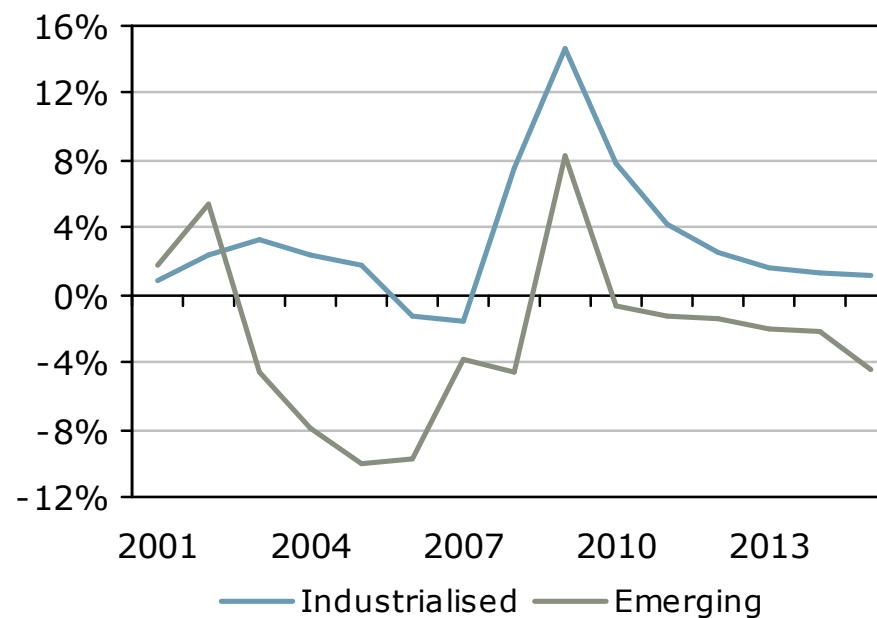
# An increasing shift in the centre of gravity

Inevitable shift toward emerging economies

Changes in real GDP



Changes in government debt



Source: IMF World Economic Outlook of April und July 2010

## An insular ray of hope

Too big and too complex not to fail

