

# Liechtenstein; a Golden Path to Prosperity

*All Things Must Pass*, launched in November 1970, was the first solo studio album by George Harrison after the Beatles' break-up.



Article by  
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On January 23rd 1719, Emperor Charles VI granted the two dominions of Vaduz and Schellenberg to his servant Prince Anton Florian of Liechtenstein as an imperial principality with the name Liechtenstein. This day is still considered Liechtenstein's birthday today. It is also a rarity in history for the name of a state to derive from a ruling dynasty.

In the 19th century, many Liechtensteiners emigrated overseas. Others left the country temporarily as guest workers. They worked as seasonal labourers and building artisans throughout Europe and in North Africa. Children were taken as Swabian children to southern Germany from spring to autumn, where they were used as labourers by farmers. Their labour was offered at children's markets in Upper Swabia and the Swabian Alps. Often women had to farm alone to provide for themselves and their families. Liechtenstein was considered a poorhouse at the beginning of the 19th century, with no natural resources, economic isolation, and the river Rhine flooded every now and then amid high tide.

In 1861, Liechtenstein's first bank opened its doors and in 1862, a new constitution came into force, providing for the Landtag as the people's representation and in 1868, the military, which until then had been a tremendous financial burden, was abolished. During the First World War, Liechtenstein remained neutral. Nevertheless,

it was struck hard by economic sanctions against Austria. Textile factories were shut down, and savings became worthless due to inflation; the population suffered, became impoverished; hunger prevailed. At the end of the war, the country broke away from Austria.

Only 100 years later, Liechtenstein is a somewhat conservative and yet modern state with no government debt, some precise cutting edge industrial know-how and an up to date and innovative financial centre under European regulation in the heart of Europe

## WHAT HAPPENED, WHAT WERE THE SUCCESS FACTORS?

Politically, the beginning of the 20th century was incisive. The lawyer Wilhelm Beck, who had studied in Switzerland, demanded more rights for the people from the Prince. His demand found many supporters, especially among the working class, and led to the new constitution of 1921.



**SINCE THEN, THE REIGNING PRINCE HAS RESIDED IN THE PRINCIPALITY OF LIECHTENSTEIN. BEFORE THAT, THE LIECHTENSTEIN PRINCELY FAMILY RESIDED IN AUSTRIA.**



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Economically, the customs treaty concluded with Switzerland in 1923, and the introduction of the Swiss Franc was to have a positive effect. In 1938, Prince Franz Josef II became the first sovereign to take up residence at Vaduz Castle. Since then, the reigning Prince has resided in the Principality of Liechtenstein. Before that, the Liechtenstein Princely family resided in Austria.

The first new industrial enterprises were already established during the Second World War. A sustained economic upswing marked the post-war period. Within a few decades, Liechtenstein transformed itself from a poor agricultural state, to a modern state with a diversified economy. The highly specialised industrial companies are globally competitive, and trade has a strong position in the region. After the economic reconstruction of the post-war period, Liechtenstein joined the Statute of the International Court of Justice in 1950, signed the CSCE Helsinki Final Act (today's OSCE) together with 34 other states in 1975, joined the Council of Europe in 1978 and was admitted to the United Nations (UN) in 1990. In 1991, Liechtenstein joined the European Free Trade Association (EFTA) as a full member, and since 1995, Liechtenstein has been a member of the

European Economic Area (EEA) and the World Trade Organisation (WTO). From an economic and integration policy perspective, relations within the framework of the EEA and the EU, occupy a unique position in Liechtenstein's foreign policy. In addition, good relations with the neighbouring countries of Switzerland and Austria are cultivated. Liechtenstein is also radical-democratic in many points. Liechtenstein's municipalities have a conditional right of secession. "The individual municipalities have the right to secede from the federation of states", as stated in Art. 4 of Liechtenstein's constitution.

In previous Executive Global articles, I had already pointed out particular advantages of Liechtenstein as a modern financial centre and elaborated on the antifragile way it handled the Great Financial Crisis of 2008 and the period after that. The Princely Family regularly emphasises that they think in terms of generations rather than quarters. Such an environment supports our company's long-term and sustainable investment approach.

We obtained the license for Incrementum AG in June 2013, and the reasons for us to choose Liechtenstein over any other destination to incorporate our business in, were Liechtenstein's

stable political environment, the solid and binding European regulatory framework, the Swiss Franc as the country's currency and the authorities' willingness to listen to and discuss new ideas in a competitive environment. The perceived political structural inertia of many Western democracies seems far less pronounced in Liechtenstein.

## A POLITICALLY STABLE ENVIRONMENT

The fit between Liechtenstein and Incrementum AG has proven to be perfect so far. Incrementum's conservative and cautious stance on governments' debt deficit spending, a business model where we never have in the history of Incrementum AG, accepted and retained inducements from third parties or persons acting on behalf of third parties as part of an asset management mandate, a uniform fee structure, including the custodian bank's custody and transaction fees, have led to Incrementum's genuinely unique and sustainable business model (professional portfolio management for private investors). Thanks to this structure, we can ensure that even smaller portfolios do not fail due to excessively high costs, allowing us to manage smaller portfolios just as prudently as medium and larger portfolios.

Our company's consistent strategy implementation

of an asset management approach for all seasons of the economic cycle as induced in the Incrementum All Seasons Fund, or the globally first USCITS fund for investments in uranium as a raw material for peaceful energy production, the volatility harvesting approach in a fund rebalancing precious metals versus crypto assets, have led to global recognition and numerous awards. Furthermore, together with the University of Liechtenstein, we were awarded a grant by Innosuisse, the Swiss Agency for innovation promotion, promoting science-based innovation in Switzerland's interest and society.

Liechtenstein did not give us a helping hand, did not support us financially and applied and still applies strict regulatory guidelines. However, Liechtenstein offered a competitive but politically stable, reliable and binding environment in which to prosper. Even though I can quickly agree with George Harrison's statement that 'all things must pass', I believe that Liechtenstein's 100-year success story will continue as long as Liechtenstein's success factors are not jeopardised because of short-term political fantasies. **EG**

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