

# The legacy of Hans-Olaf Henkel: portrait of a German industrial leader

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27 January 2001

At the beginning of the year, when Hans-Olaf Henkel relinquished his position as head of the Association of German Industry (BDI) after three terms in office, few workers would have mourned his departure. Henkel had been at the top of the BDI since the beginning of 1995. He can certainly lay claim to have well served the interests of the German business world. In undertaking radical ventures to promote market economy principles, he was deeply involved in moving German federal politics to the right and driving down social conditions.

In his recently published memoirs, appearing on the bestseller list under the title *The Power of Freedom*, Henkel gives us an informative glimpse into the relationship between the business world and politics in post-war Germany—that is, if one is not distracted by the irritating vanity of his self-admiration and endless descriptions of his yachts and extravagantly furnished homes.

Henkel was born into a well-to-do merchant family in Hamburg in 1940. His father, a successful paper wholesaler, died on the battlefield in Hungary. With a villa on the renowned Lake Rothenbaumchaus, the family was forced to live on reduced means after their home was bombed out. However, a good standard of living for the family was never seriously threatened.

When Henkel's mother took over the paper wholesale business after the war, the family soon returned to their former lifestyle. But because the young Henkel was to prove something of a burden to his venerable mother, she sent him to a boarding school for two years. Apparently, this was not to his liking. Apart from beatings from the nuns, the boy received bad marks in his studies.

Henkel dates his passion for freedom back to this time. Later he attended a better school, enjoyed more freedom there, and was able to produce better marks. It was here that he first realised his basic philosophy: freedom depends on performing better.

In his endeavour to break out of the stuffiness of home life, as well as that of the 1950s in general, Henkel discovered a love for jazz. When he was 16 years old his mother bought him a large flat and he first became, what he calls, a businessman. He rented out some of the rooms and felt himself to be “a completely free man”.

Having passed his school-leaving certificate, he fulfilled his mother's wish by successfully completing a commercial training course with the prominent transport agency Kühn & Nagel. Afterwards, through his own manoeuvrings, he was able to get himself a place at the Hamburg Academy for Cooperative Economy. He regards his entry into this academy—closely associated with trade unions—as a step which pointed the way to his future life. Among the famous students at this establishment were the renowned lawyer, Capelle, and the economist, Ortlieb. It was Ralf Dahrendorf, the professor of sociology, who was to have most influence on Henkel.

At the time, Henkel's political interests were directed towards America. He was fascinated by the popularity of John F. Kennedy. He also saw in Fidel Castro a “charismatic rebel of the people”, until Castro—to Henkel's

regret—nationalised private property.

At the age of 21, Henkel had the opportunity of beginning a career with IBM in Stuttgart. At the time, IBM was building the first large computers and Henkel quickly applied himself to working in this new field. Until the beginning of the 1980s, the American parent firm faced almost no competition in this area of technology and encouraged talent far more than most other companies. With a great deal of luck and perseverance, Henkel enjoyed a text-book career at IBM. First he became IBM's manager in India and Sri Lanka. Then he took on responsibility for questions concerning the firm's worldwide trade union and workers' participation affairs. He is proud to point to the fact that IBM was successful in marginalising the influence of trade unions and workers' councils for a long time. Later he became head of IBM in Germany and then also in Europe.

From the very beginning, Henkel also occupied a position on the executive of the National Trust (Treuhand), well known for winding down industry in the former Stalinist German Democratic Republic (East Germany). In the process, western German industry cashed in on millions of marks in the form of subsidies—at the expense of the taxpayer. When in the early 1990s IBM came upon turbulent times because competition had caught up, and Microsoft had taken the lead in developing an operating system for personal computers, Henkel proved his worth to his employers by closing countless production centres. Today only a fraction of IBM's former 90,000 employees are left in Europe. When Henkel's own position became precarious in the company he decided to leave and took over the presidency of the BDI.

With Henkel as head of the BDI over the last six years, time and again workers had to endure his provocative public appearances when he preached non-stop the necessity for reductions in wages and social benefits. In one of his last interviews as parting president of the BDI he even went so far as to deny that there was any poverty in Germany. According to Henkel, the opposite was the case: German society suffered from too much equality. Not just SPD (Social Democratic Party) politicians and trade unions were to blame. Politicians from the right-wing CDU (Christian Democratic Union)—like Norbert Blüm, Heiner Geissler, and particularly former Chancellor Helmut Kohl—had clung to the politics of social equilibrium far too long.

The BDI is not just any business association. It is Germany's leading business association. Its members are spread over 35 associations. All the important captains of industry occupy posts on its executive board: Ferdinand Piech of Volkswagen, Jürgen Schrempp of DaimlerChrysler as well as Heinrich von Pierer, the head of Siemens, and Ron Sommer, top man at German Telekom.

The BDI considers itself as the official representative of German industry's political interests in regard to parliament and government, political parties and social pressure groups, as well as the European Union. What this means in concrete terms can be understood first-hand from Henkel: “The work of the BDI least noticed by the public has to do

with the organisation of all the legislation directly affecting the business world.”

Because Henkel—as we will see—regards business and social interests as virtually the same thing, this means that the BDI tries to exert influence on all political decisions. But let us have this from Henkel in his own words: “Either the ministries ask for our views directly, or we receive plans for legislation from other quarters because they expect our support. Everything being prepared for legislation is brought to the attention of the BDI and that makes sense, too. Whenever the government’s sketched plans for a particular undertaking are to be read in the newspapers, we already know the details. And that’s to the advantage of the politicians who really don’t like ignoring the combined competence of our 165 members.”

Exactly how this turns out in practice can also be learnt from Henkel: “The team was divided into sections corresponding to different areas of work. Particular issues—you could also say particular ministries—were assigned to them. There was a department for the environment, a department for energy, a department for small businesses, for foreign trade, for taxation, education and research, and of course one for the press. In all these fields we worked out our own conceptions and problem-solving strategies. We then offered these to the politicians, who—I soon noticed—often couldn’t get along without them.”

Henkel is particularly proud to point out that, on his own initiative in 1997, the BDI drafted its perspective for Germany’s future. The project was called “For an attractive Germany”. With its help Germany was to be opened up for “reforms” and the “willingness to make sacrifices for society” to be intensified. Support for this project was drawn from the so-called “pep-talk speech” of the federal president at the time, Roman Herzog, who was concerned with promoting a “competitive society”.

What was being demanded was a “trimmed-down state”, a “mobile society” and drastic tax reductions for firms. Only in this way could the country be made attractive for foreign investment. The campaign should soon be bearing its first fruit. Cuts in sick pay have already become law and legal protection against unfair sackings has been eroded.

Henkel speaks of the BDI as an extra-parliamentary opposition. But from his point of view, the “processes of political decision-making” should be adapted much more energetically to the “challenges of globalization”. In this respect, it is not only the German model of workers’ participation in management decision-making, developed over the post-war period, which is seen to present an obstacle. Much more to the point is that changes to Constitutional rights, and indeed a wholly new Constitution, are held to be long overdue.

It is well known that Henkel and a substantial number of BDI members were critical of the Kohl government during its final years. Just how strongly the industrial lobby was interested in a change of government in 1998 can be gleaned from passages like the following: “Today the condition of our country is still being determined by Kohl’s term in government—directly and indirectly. He has stood at the top for 16 years. The number of economic ministers he appointed was enormous, but by and large their names have been forgotten. As continuity and durability are necessary in this crucial field of government, I regard Kohl’s record here, too, as evidence of inadequate governance.”

A paragraph later, Henkel loses all self-control when he comes to speak of Kohl’s former Employment Minister, Norbert Blüm: “The only minister to bravely stand by his side from beginning to end was Norbert Blüm—a master in the discipline of obstructing reform as well as avoiding real problems in order to make things easy for his boss. Thanks to Blüm’s verbose interventions, Kohl was able to block reforms to the pension scheme and labour market for years on end, and consistently deter those who stood for change and making the public aware of the actual problems. Sixteen years of stagnation in business, financial and social policy on account of one single man and his ever-obliging helpmate! And

what a paradox it is that the capacity for reform—today once more timidly evident in the CDU and SPD—was triggered by this very man, albeit indirectly. I’m speaking about Kohl’s donation fund scandal.”

These words might give the impression that the politics of the Christian Democrats Kohl, Blüm and their associates were favourable to workers. Of course this was never the case. What so upset the BDI boss was simply the fact that a conservative, pro-business CDU/FDP government was trying to evade conflict with the working population. Henkel writes in his book that Kohl had courted populism and tried to win “left-wing votes” by giving his party a “social democratic icing”. In doing so, Kohl had declined to undertake “decisive reforms”.

In 1998, Henkel had decided to support Gerhard Schröder and call for a “grand” coalition of the SPD and CDU. He knew Schröder as the “pragmatic, pro-business” governor of Lower Saxony, whose capability he credited to some extent. However, he was later to be horrified by the surprisingly overwhelming election victory of the SPD and Greens.

Yet, after the resignation of Finance Minister Oskar Lafontaine—who had become the unmistakable target of the business community—Henkel appeared to be satisfied with the new alignment of politics under Schröder (chancellor), Fischer (foreign minister) and Eichel (finance minister). The cuts campaign and the reform of the taxation system were entirely to Henkel’s liking. He was content to see things continue along these lines. His concise comment on the situation: “Who could have imagined that Oskar Lafontaine would have disappeared from the scene so quickly, or that the Greens would have gone along with us in everything without a fuss?”

While Henkel considers Chancellor Schröder a capable “power politician”, he criticises him and—with few exceptions—almost all other significant German politicians for being overly preoccupied with “internal social” considerations. Here we come across Henkel’s pet theme. He is utterly convinced “that everything that is good for industry is also good for society 99.9 percent of the time”. And he believes further that “the ideological distinction between the ‘interests of business’ and the ‘interests of society’—so readily alluded to by our politicians—is something that has long since belonged to the past.... But it is only here [in Germany] that this alleged conflict of interests is so monstrously held aloft by politicians.”

If it were up to Henkel, only those parties strictly obeying the dictates of the business world would have a right to exist. The idea that ordinary people should intrude into political processes and therefore also into economic affairs is, for him, cause for suspicion as well as utterly reprehensible.

Henkel often takes up this theme, thereby raising the question about the significance of democracy in society. His credo, which would also serve as the motto for his autobiography, runs: yes to individual freedom, and also to human dignity; but please, no social equality! Such an opinion may sound banal. But it has spread far and wide since the shipwreck of the Stalinist regimes with the resulting apparent invulnerability of capitalism as the only alternative

First and foremost, Henkel understands freedom to mean freedom for the business world. From this perspective he draws the conclusion: “Whoever stands for democracy should be a strong advocate of the market economy, because the market economy in its turn only assumes a human face when it respects the right to individual life.” The logic of such an utterance is in total accord with the business interests Henkel represented as president of the BDI, and is also in line with his being a member of Amnesty International—something he likes to mention at every opportunity.

Nevertheless, this does not prevent him, in his official public capacities, from favourably referring to the European Central Bank, the German Economic Council of Experts and the Kiel World Economics Institute, as well as to the “Chicago school” and its leading representative, Milton

Friedmann, whose theories found their purest expression in the Chile of General Pinochet.

Stemming from these models, Henkel's own economic recipes aim to promote the worldwide liberalisation and privatisation of business. Furthermore, national budgets are to be radically revised in favour of a society based totally on free competition. In the 1980s, Ronald Reagan in the US and Margaret Thatcher in the UK pursued just this type of monetarist policy, effecting unprecedented budgetary and cost-cutting measures that led to millions of people being driven into poverty. At the same time, democratic rights were curtailed and trade unions crushed.

Henkel has quit the BDI but there is no indication that he will refrain from vigorously attempting to influence German politics in the future. In the meantime his replacement Michael Rogowski has already made clear his own recipe for the future work of the BDI. In his first speech after taking over as new president he described the performance of the SPD-Green coalition in Germany as "dreadful" and called for big reductions in taxes for big businesses alongside drastic cuts in Germany's social welfare net: "When I look at the development in Germany over the past years then I want to turn upside down much that has taken place."

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