The German bailout of the banks and the role of the Left Party

By Ulrich Rippert
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On Monday the German government finalised a €480 billion program, which it terms a “rescue package for Germany’s banks.” The package represents an about-turn by the coalition government (Social Democratic Party [SPD]-Christian Democratic Union [CDU]-Christian Social Union [CSU]), which until now has maintained that, despite the effects of the international finance crisis, the country’s banking system was basically sound.

The government was reacting to the dramatic fall on the German stock market, most sharply expressed when the DAX Index fell as much as 12 percent during the trading day last Friday before closing seven percent down. For the week, the DAX was down 22 percent.

The various elements of the so-called rescue package are all oriented towards the interests and demands of the banks and the financial aristocracy behind them.

As well as state warranties aimed at strengthening the flow of credit between banks, the package also allows for direct injections of finance into failing banks. According to the information forthcoming about the plan, a special fund of €400 billion is to be set up as part of the federal budget, with the title, “Finance Market Stabilization Fund.” In addition, the minister of finance is to have access to a credit authorization totalling €80 billion. This latter fund is to be made available for injections of capital to the banks and to fund risky take-overs.

At €480 billion ($651 billion), the German rescue programme is comparable in size to the US package of $700 billion although the German population is just one quarter the American population.

Expenditures by the German treasury this year are expected to total €283 billion, meaning that the banks have secured a sum one and a half times bigger than the total budget. Some €124 billion go to the Ministry for Labour and Social Affairs. In other words, the government has decided to make a sum available for the reorganization of the banks and in the interests of finance speculators four times greater than the amount of money spent in the course of a year on all of Germany’s pensioners, unemployed and the most disadvantaged layers of the population.

Based on a population of just over 82 million, the government has thereby created a potential debt burden of €5,730 euro for every man, woman and child in Germany. Until now the government has shrunk back from making such a decision. It was fearful of the political consequences of measures that so blatantly transfer almost unlimited funds from the treasury to the banks. Therefore, at the start of last week, the chancellor and finance minister were still seeking to limit themselves to noncommittal promises of support for the banks.

However the banks were not satisfied. Demonstrating the arrogance and aggressiveness with which they demanded in past years the liberalisation of markets and action by the government to free the finance market from any sort of serious control or restriction, they are now insisting on access to huge amounts of taxpayers’ money to sustain their orgy of wealth accumulation.

Even today the government is attempting to mask the true character of its bailout package. Thus the law for the creation of the €480 billion “Finance Market Stabilization Fund” includes reference to “strict conditions” and “national controls.” The real nature of such “conditions” becomes clear, however, when one examines who drafted and finalised the “rescue package.”

According to the *Süddeutsche Zeitung*, an “informal committee for the rescue of German banks” was set up on the initiative of Josef Ackermann, the head of Germany’s biggest bank—Deutsche Bank. “Four men stand in the foreground ... Finance Minister Peer Steinbrück, Federal Bank President Axel Weber, BaFin [German Federal Financial Supervisory Authority] head Jochen Sanio and Josef Ackermann.” (*SZ*)

The same newspaper notes that the details of the German rescue plan were drawn up by Steinbrück’s undersecretary of state, Jörg Asmussen, and Merkel’s economic adviser, Jens Weidmann. Both are relatively young men- Asmussen is 42 and Weidmann 39- and know each other from their student days in Bonn. Their professor at that time was Axel Weber, the current President of the Federal Bank, who is also a member of the select “informal committee.”

Asmussen headed the office of Hans Eichel (Social Democratic Party—SPD), when Eichel was finance minister in the former SPD-Green coalition government. He was instrumental not only in preparing the laws that opened up Germany to the penetration of hedge funds, but also the Hartz

IV laws, which drastically pared back the German system of social benefits.

A “key role” (*SZ*) was played in the “bank rescue committee” by Germany’s leading banker, Ackermann. The representatives of high finance were alarmed when “the government insisted on individual case solutions and rejected an aid package like the one introduced in the US” (*SZ*). Ackermann criticized the behaviour of the government as half-hearted and then finalised the current rescue plan in personal discussions with the chancellor and finance minister.

It’s not the government insisting on “strict conditions” from the banks, but the other way around. The banks are dictating their conditions to the government.

The jubilation in banking and government circles and the obvious delight with which the stock markets greeted the publication of the “rescue plan” cannot disguise the fact that the government endorsement for the banks adds an entirely new dimension to the crisis. The billions allotted for the rescue of the banks will inevitably accelerate recession and inflation.

Support from the Left Party

The government feels emboldened to act openly as a servant of the banks because not a single major political party is prepared to oppose its policies.

A key role in the implementation of these policies and the social attacks that will inevitably follow is being played by the Left Party. The party was involved at various levels in the preparation of the deal and signalled its support even before the details of the rescue package emerged.

A prominent guest on the influential television talk show hosted by Anne Will last Sunday was the leader of the Left Party, Oskar Lafontaine. Also in attendance was the chairman of the Christian Democrat-Christian Social Union parliamentary fraction, Volker Kauder, who welcomed Lafontaine as “My colleague,” before announcing the measures planned by the government. Asked to respond, Lafontaine declared that the action taken by government was “inevitable and correct.” The government must ensure the flow of capital between banks and, to this end, it was necessary to provide state warranties and direct infusions of finance for distressed banks.

Lafontaine’s only criticism of the government was its failure to act earlier. In addition to the rescue plan he also demanded an economic package which “would do something for Hartz IV recipients and pensioners.”

Lafontaine made unmistakably clear that the Left Party defends the existing banking system and is quite prepared to support pumping billions of taxpayers’ money to rescue the profit system. His declaration makes a mockery of all his speeches in the past in which he denounced increasing social inequality. Without breaking the power of the banks to dictate political policy it is quite impossible to achieve any serious improvement in the situation of the majority of the population.

Ten years ago Lafontaine also backed down under pressure from the banks and business associations. He resigned his post as federal finance minister because he was unwilling to confront the finance and business elite and defend the interests of the population. Instead he retreated into private life and left the SPD and the government in the hands of his former party friend, Gerhard Schröder.

When popular resistance grew against the anti-social policies of the Schröder government and its current successor, Angela Merkel’s grand coalition (SPD-CDU-CSU), Lafontaine returned to politics and took over as head of the Left Party.

Now following the bursting of the international speculative bubble and a finance crisis, which puts all other previous financial turbulence into the shade, Lafontaine is offering the services of his Left Party as a factor of stability and regulation.

The party’s affairs manager, Dietmar Bartsch, also praised the rescue package with the words, “The decision has finally been made that recognises the need for the systematic regulation of all banks in Germany.” To begin with, he said, the government “had slept through the crisis somewhat.”

There are indications that the Left Party has already agreed to support the law backing the rescue plan, which is to be rushed through the Bundestag without any proper parliamentary debate this week.

While a small group of bank directors and politicians meet among themselves and prepare a multibillion-euro program in the interest of the banks and in the absence of any sort of political debate, the Left Party is indicating its readiness to nod through these emergency decrees in parliament. In so doing the Left Party makes clear that it is also ready to implement all subsequent measures, such as a savage new round of social cuts against the population.