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PAPER

Discussion Paper # 1/2013

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By Frederic Heine and Thomas Sablowski

How can the European and crisis policies of the German government be explained? Which interests do these policies serve and which social forces can they rely on? Which contradictions play a role? Which forces are in opposition to the government's policies? In this contribution to a historical-materialist explanation of European crisis policies results from a study of the positions held by German employers' associations are presented.

transform!europe is partially financed by the subvention of the European Parliament

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Positions of the German Economic Associations Regarding Crisis Policies

How can the European and crisis policies of the German government be explained? Which interests do these policies serve and which social forces can they rely on? Which contradictions play a role? Which forces are in opposition to the government's policies? In this contribution to a historical-materialist explanation of European crisis policies we are presenting results from a study of the positions held by German employers' associations. We assume that state policy must be understood as a "material condensation of power relations between classes and class fractions" (Poulantzas 2002, 159). Furthermore, we assume that German capital represents a dominating force within European crisis policies. The power block of the ruling class(es) and class fractions which determines the state policy is at the same time constituted by it. Yet, the bourgeoisie is not a homogeneous subject but one pervaded by a number of contradictions (cf. Poulantzas 1975, 80ff). Among the contradictions the following are worth mentioning in our context: the one between monopolist and non-monopolistic capital, the contradictions between financial, industrial and commercial capital as well as the contradictions between capital fractions operating mainly in the national, the European Union (EU) and the global spaces respectively. The contradictions within the German power block are interesting to us from a strategic perspective. On the one hand, political change in favour of emancipation is possible only if mass movements come into being challenging the dominant policy and if power relations shift towards the wage and income earners. On the other hand, the political alternatives discussed in public are not only based on the fundamental class opposition between capital and labour but also on the contradictions between the capital fractions within European social formations. Hence it is necessary to achieve some clarity concerning the interests within the ruling classes.

We examined the public statements of the following German employers' associations on European crisis polices in the period between the beginning of 2010 and the beginning of 2013:

Federal Association of German Industrialists (BDI), the Confederation of German Employers' Associations (BDA), the German Association of the Automotive Industry (VDA), the Chemical Industry Association (VCI), the German Machine and Equipment Building Association (VDMA), the Central Association of the Electrical Engineering and Electronics Industry (ZVEI), the Association of German Chambers of Industry and Commerce (DIHK), the Umbrella Organization of German Crafts and Trade (ZDH), *The Association of Family-Based Enterprises*, the Federal Association of German Banks (BdB), the German Savings Banks Association (DSGV) and the Federal Association of German 'Volksbanken und Raiffeisenbanken' Co-operative Banks (BVR). Of those listed, the BDI is the most influential of all the associations included in this study. It is the only German member of both *Businesseurope*, the most important among the economic umbrella organisations on EU-level, and of the recently founded association B20, which tries to exert an influence on politics on the G20-level. Within the BDI the interests of monopolist industrial capital are dominant. The sector associations VDA, VCI, VDMA and ZVEI represent the key industries of the "German model" (Röttger 2012), with all of them being members of the BDI-umbrella organization. There exists a kind of division of labour between the BDI and the BDA, according to which the BDA is primarily responsible for labour relations, i.e., questions of labour law and collective bargaining, social and education policies, while the BDI takes care of other policy areas. The DIHK is the umbrella organization of the regional chambers of industry and commerce in which all entrepreneurs with the exception of those from the areas of agriculture, crafts and the liberal professions are compulsory members. Thus it represents more than the BDI does enterprises from the spectrum of the non-monopolistic capital. The ZDH is the umbrella organization of the regional chambers of crafts and trades and the different professional associations of crafts and trades. It represents both parts of the non-monopolistic capital and of the traditional petty bourgeoisie. *The Association of Family-Based Enterprises* is an organization which, as the name already tells us, defines itself by the form of property and whose membership has from 10,200 in the year 1993 dropped by almost half to 5,000 today (cf. Krickhahn 2010: 92; Inacker 2012). Again it mostly represents enterprises which have to be counted with the non-monopolistic capital, although also some big companies are members of this association. The BdB represents the private banks, the DSGV the public sector credit banks and the BVR the cooperative banks.

The consonances and differences in the positions of the associations regarding questions of European crisis policies – the "rescue policy" in favour of insolvent banks and states, the reform of the EU and the regulation of financial markets and banks – can be summed up as follows:

All the associations reject Eurobonds or can imagine their introduction only at the end of a long process of reforms. Also it is widely accepted among the associations that they reject the ECB buying government bonds.

Moreover, *most* of the associations support the line of the "conditioned granting of credit" (DSGV 2011:7), which, to their mind creates a healthy mixture of "efficient rescuing" and the "avoidance of false incentives" (BdB 2010: 27) – i.e., minimizing the costs for the German national budget and maximising the pressure on the recipient countries to cut back expenditures. Without exception, these associations are in favour of keeping up the currency union in its present form including Greece and have under the pressures of crisis dynamics accepted emergency credit programmes for specific countries as well as temporary (EFSF) and eventually also permanent (ESM) European mechanisms for assistance loans.

A *smaller group* of associations (ZDH, ZVEI, VDMA, DSGV) widely supports the line described above, although not entirely. In particular in August 2012, considerable doubts rose in this group regarding the rescue policy pursued to date. That is why they demand both not to continue the rescue policy under all conditions and the exclusion from the euro-zone of countries not sticking to the rules (which always means Greece). In this context, the DSGV represents a special case so to speak, because its refutation of the rescuing policy is clearly restricted to the month of May 2012 (the immediate period before the elections in Greece) and must be understood as a threatening gesture rather in case the new government would not have observed already agreed upon reform programmes.

The Association of Family-Based Enterprises is the only association that is opposed to the rescuing policy on principle, taking the rescue mechanisms of EFSF and ESM to the Federal Constitutional Court and from a very early point on demanding Greece be excluded from the currency union.

As regards the reforms of the European Union *Economic Governance* the measures for strengthening the budgetary discipline are uncontested. In general, the tightening of the stability and monetary pact are welcomed, in particular the half-automatic procedures of sanctioning according to which sanctions vis-à-vis individual member states recommended by the Commission can only be averted by a qualified majority of member states. This positive attitude also applies to the austerity policy laid down in the Fiscal Treaty by debt ceilings in the national constitutions as well as the observation of the implementation of these rules enforceable before the European Court of Justice. All the associations had already demanded such or similar measures prior to respective government decisions.

Among the associations, positions vary regarding the control of current account imbalances and coordination of economic policies inside the EU. On the one side there are the BVR and the DSGV that see in the macroeconomic imbalances a danger to the solvency of the deficit countries and to the stability of the EU. They demand corrections of economic policies to guarantee the "solidity" of national budgets. Also, they plead for the right of the EU to veto national budget plans and want to withdraw budgetary sovereignty from countries whose debt level exceeds a certain limit by installing a provisional administrator from outside. This is what the BVR said in summer 2011, "The advantage of a direct access to the economic policy of individual states which cannot extricate themselves from the precarious situation they are in is that a change of economic policies can be induced without unstable political majorities becoming a serious risk factor for the effectiveness of the adjustment programmes" (BVR 2011: 5).

The position of associations such as BDA, BDI, BdB und VDA is different from that. They, too, advocate that macroeconomic imbalances are tackled for reasons of stability. Assistance measures and transfer payments are to be prevented in the future by recognizing as early as possible imbalances that are relevant to stability. At the same time, the associations emphasise in the debate that competitiveness is a core goal of economic policy. What they mean by that is "upward" adjustment, because the standard of competitiveness is defined by global competition. Due to that, these associations interfere more with determining the indicators for imbalances and fight the restriction of current account surpluses as well as the limitation of growth rates of unit labour costs. At the same time these associations are opposed to an "interventionist" economic government in the EU and see the ideal solution in regulatory framework legislation on EU-level. They do not so much advocate veto rights and direct EU-interference with national budgetary policies but "peer pressure" and discipline achieved by automatic penalty procedures and the financial markets themselves.

The ZDH is strictly opposed to any further "European centralism" (ZDH 2012). Although in general it takes a pro-European stance and in common statements time and again supports the BDA and BDI's vision of coordinating economic policies, it rather emphasises national sovereignty in its more recent, independent statements. The more facts European crisis management policy is creating, the more ZDH tries to remember the advantages of national sovereignty. *The Association of Family-Based Enterprises* has right from the start been strictly opposed to any kind of European economic policy and even rejects any softer forms of coordination.

Also with regard to economic adjustment programmes suggested for those countries which are either recipients of rescuing loans or are running current account deficits, a great difference of opinions becomes obvious. The BDA, BDI and BdB, whose recommendations on the "competitiveness" focus on the relative position of capital vis-à-vis labour, rely on "structural reforms" which lower the wage level, improve conditions for investments and encourage privatisations. As things developed, the BDI has added to the agenda a "New Deal" based on the "primacy of private capital". Contrary to that the DSGV also considers measures for increasing state revenues such as capital levies and inheritance tax. This means that also with this respect a competition-oriented and a stability-oriented position can be distinguished.

With regard to reforms of the financial markets and the banking system deep divisions have opened up, but less between the industrial and banking associations than among the different banking associations themselves: Emphasising their stability-oriented business model, the associations of the public sector credit banks and the cooperative banks try to exempt themselves from reforms such as the bank tax or the increase of equity capital requirements, while the private banks try to prevent exactly that. The same applies to the Europeanization of banking supervision and the creation of a European deposit guarantee, which is vehemently opposed by the associations of cooperative banks and savings banks. There is consensus among these associations only in their attempts at shifting the focus of the reform efforts away from reforms of the banking sector.

From the unanimous rejection of Eurobonds on behalf of the economic associations examined, we conclude that the comparatively low interest rates that have to be paid on the German credit and capital market to finance investments represent an advantage for the clientele of these associations which they are not willing to give up. The major reason for that is their concern that with the introduction of Eurobonds the interest rate level in Germany would rise. Another reason for the rejection of Eurobonds – which plays a role for the export-oriented part of capital in particular which tries to position the European business location vis-à-vis competitors from other global regions – consists in the fear that the introduction of Eurobonds would facilitate a further increase of public debt while the efforts at budget consolidation could be diminished.

Moreover, the unanimous advocacy of measures of budget discipline as well as of the Fiscal Treaty firstly indicates to the fact that, internationally, German capital finds itself in the position of creditor. The depreciation of German claims vis-à-vis crisis-ridden countries is to be prevented; the costs for the exploding debt service are to be shifted to the wage and salary earners and the petty bourgeoisie in the European peripheries. Secondly, this shows that austerity policies unite the banking and the industrial capitals, although these fractions definitely have different interests. So, the private banks active in the international arena seem to be interested in socialising the costs of the rescuing measures to avoid write-offs, no matter if it is German or Greek wage earners paying the costs. The export-oriented industries or the industries exposed to competition from imports, on the other hand, are more interested in externalising and relocating to the peripheries the costs in order to avoid tax rises. In this respect, the combination of austerity policies and conditioned emergency loans achieves a compromise between the interests of the banking and the industrial capitals. Another aspect of importance here is that by means of austerity policy the Euro is within the international currency competition defended as a hard currency. It is assumed that without austerity policy, debts would expand to uncontrollable dimensions and inflation would increase. The defence of the austerity policy by all the associations examined also shows that the Greek, Irish or Portuguese domestic markets are only of secondary importance as foreign markets to German capital. The shrinking of these markets is accepted and taken into account. The situation is different, however, in the cases of larger crisis-ridden countries such as Spain and Italy. This could be the reason that the obligations were eased when it came to emergency loans for the Spanish banks.

How can the *differences* between the associations be explained? The differences between the banking associations with regard to the reforms of the financial markets and the banks can be explained rather easily: private banks, public sector credit banks and cooperative banks are immediately competing with each other for customers. They have a common interest in warding off a restrictive regulation of their business activities, but on the other hand try each to shift the adjustment costs caused by the crisis to the other fraction.

As far as European policies (the "rescuing policies" and the reforms of *Economic Governance*) are concerned, three types of associations can generally be identified:

1. *The group oriented towards global accumulation:* Among them BDI, BDA, BdB, DIHK and most of the individual industrial sector associations have to be counted. They defend a specific *strategy of accumulation* – namely, accumulation based on global competition, increase of productivity, wage moderation and labour market flexibility in the domestic arena, and accumulation by the monopolist capital fraction based on consumption in the foreign markets which is partly financed by debts. They regard the crisis as an opportunity to further develop this model of accumulation by deepening European integration and the adjustment programmes in the countries hit by the crisis. By pushing a *legislative framework* enforcing austerity policies and competitive orientation and by rejecting a direct *economic government* they try at the same time to upgrade the economic struggle as compared to the political, because this model of accumulation meets with opponents on a European level which could politically organize a majority while at the same time they cannot boast of a similarly successfully functioning model of accumulation in the field of economy. This coalition reacts to the crisis with a *project* – that is, it does not react only defensively but offensively. It takes advantage of the crisis by taking the bull by the horns. Economically, this project is based on a stronger orientation towards external markets (which absorb internal over-accumulation and production surpluses), on increasing labour supply and a combination of the absolute and relative rise of added value (both variants of accumulation are contained in the demand for lowering unit labour costs). This project anticipates the strategies of global competitors (in particular, US-American, Japanese and Chinese capital) and tries to position itself successfully and in the long run within global competition settings by pursuing a European location policy. The European vision of this fraction of the German capital is driven by competition and at

its core contains a class project – increasing the rate of exploitation.

2. Die *fraction oriented towards security*. Among them we count the DSGV, the BVR and the ZDH, all of which primarily represent non-monopolistic capital. In this group the interests of creditors play a major role. That is why its representatives demand guarantees for the *debt service* of the indebted countries (DSGV and BVR) or the avoidance of further creditor *risks* (ZDH). In itself this group is rather clearly divided along the line between bank and industrial capital. Thus the banking associations are more interested in a far-reaching economic governance so as to be able to enforce the debt service even against the will of the countries concerned. Also the envisioned paths of reform for the individual debtor countries are less strictly oriented towards competitiveness but in the first place towards guaranteeing the debt service. The ZDH on the other hand is opposed to any further "European centralism" and rather tries to avoid further risky measures. One indicator to this is that the business relations of the enterprises represented by ZDH mainly take place in the national area. A comprehensive economic policy concept for Europe is not suggested by these associations – they are not so much concerned with further developing a strategy of accumulation than with preserving the status quo in spite of the Euro crisis.

3. The *restorative forces*. This term does not refer to a group, rather the association of *Family-Based Entrepreneurs* represents a category by itself with its clearly distinct positions. Right from the start, the Family-Based Entrepreneurs rejected the rescuing policy, argued in favour of a "Grexit", demanded a further exacerbation of fiscal political measures, were opposed to any kind of Europeanization of economic policy and partly resorted to a rhetoric usually characteristic of right-wing populism. They fearfully watch the dynamics of European rescue policy and in general try to ward it off. The association of *Family-Based Entrepreneurs* offers a stage to those entrepreneurs who are afraid to lose more than they will win if European competition is still exacerbated as a consequence of the deepening of European integration. That is why they try to bring it to a halt by sharp political (and legal) interventions.

At first sight it surprising at first sight that within monopoly capital, the contradictions between the banking and the industrial capitals seem to be less deep as could perhaps be expected. Like the banks, associations such as the BDI fight a more restrictive regulation of the financial markets, because the industrial production enterprises fear the restriction of their own scope for action. It has to be considered that the companies active on an international level are also active as creditors and debtors on the financial markets and have extremely much profited from their deregulation and liberalisation in the sense that their own scope and possibilities of action have been expanded. They play a vital role on the financial markets.

Currently the German power block appears very much consolidated in spite of its inner contradictions. One reason for this is that the burdens caused by the crisis could be shifted on to the shoulders of wage and salary earners or externalised. Social conflicts break out in the countries of the European periphery, although the German capital is part of the social conditions which have run into crisis. Due to having been able to shift and externalise the costs of the crisis German capital appears as a crisis profiteer. Yet, the contradictions within the German power block could further culminate if the developments triggered by the crisis in the European periphery and in other global regions affect capital accumulation in German more strongly or if power relations in Germany shift towards the wage and salary earners.

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