Globalisation and Class Struggle in Germany
By Jerry Harris

Throughout the world globalisation is creating the conditions for class struggle. Nation centric pattern of accumulation are being overturned by a transnational system of production. This process affects each country in a different manner, geared to each nation’s existing political and social structure. This dialectic, between descending forms of national accumulation and the ascending power of globalism, is the dominant contradiction in the world. It is a contested process played out on the political stage and in the economic struggles between capital and labor and between competing groups of capitalists.

These conflicts are present at every level of German society. The German working class enjoys one of the highest living standards and level of social entitlements in the world. These developed out of a strong socialist and trade union tradition and the industrial growth that rebuilt the country after W.W.II. Germany, as a front-line state facing the Warsaw block, also needed to be a positive example for capitalism. This pressured German industrial and finance capitalists to accept many social-democratic demands bringing relative stability to labor/management relations. In turn, the German industrial base became a leading world exporter in autos, chemicals, machine tools and other important products. Even today Germany remains the largest exporter of manufactured goods in the world and contributes one-third of the European GDP. National production provided the strong job base and profits that created the post-war German economic model with its strong social contract and consensus building method of co-determination between capital and labor.

Today the most powerful corporations in Germany are also some of the world’s most transnationalized. The owners and managers of these corporations are part of the transnational capitalist class (TCC) and are the most political influential and economically dominant sector of the German ruling class. This sector of German capital, along with their representatives in the major political parties, are retooling German society to fit the new global mode of accumulation. This entails transforming labor relations, the role of the state, and the social structure that had been built to accommodate a nation-centric economy. These changes have naturally created rifts within German society with those social forces, both in labor and nationally based capital, which are invested in the old system. This challenge, with its alternative forms of organization and labor relations, sets the stage for the major political and economic struggles now taking place.

The Structure of German Globalization

To understand the current stage of development of capitalism in Germany we need to explore the transnational base of Germany’s major corporations. As noted in the Financial Times, ‘More than in other European countries German companies have detached themselves from their home base and projected themselves as European or international concerns.’

In 2001 Germany accounted for 11 of the world’s top 100 non-financial transnational corporations (TNCs). The following chart shows their world rank by foreign held assets and their transnationality index (TNI) that combines the ratios for foreign held assets to national assets, foreign sales to national sales and foreign employment to national employment.
The above corporations are among the largest in the world and their managers and owners are a key contingent within the TCC in Germany. Compared to TNCs headquartered in other countries Germany ranked behind the US which hosts 28 of the top 100 TNCs, the UK which hosts 16 and France 12. But overall Germany is headquarters for 8,522 TNCS, the largest number in the world as well as host to 13,826 foreign affiliates doing business inside the German market. Such large-scale presence of both parent TNCs and foreign affiliates reflects their economic dominance and their growing social and political base as well. In comparison the UK hosts 3,132 parent TNCs and 13,828 foreign affiliates while the United States is home to 3,235 TNCs and host to 15, 712 foreign affiliates. In 2002 the overall transnationality index for Germany as a country (foreign assets, employment and sales in ratio to their nationally held percents plus the amount of foreign direct investment (FDI) as a percent of gross fixed capital formation) had risen to 18%, the same as the U.K. but greater than France at 11% and the US at 9%. Additionally foreigners hold about 40% of all stocks traded on the Frankfurt DAX.

Cross-border merger and acquisitions (M&A) activity is an important indicator of globalization. These activities reveal the level of transnational corporate integration, the growing interconnection of global production chains and the expansion of the post-national economy. The following chart compares the amount of cross-border M&A by sales and purchases of the world’s largest economies from 1998 - 2002. Germany’s position reflects its high level of transnationalization.

<table>
<thead>
<tr>
<th>Country</th>
<th>Sales (millions of dollars)</th>
<th>Purchases (millions of dollars)</th>
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<tbody>
<tr>
<td>US</td>
<td>1,043,945</td>
<td>591,468</td>
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<tr>
<td>UK</td>
<td>525,160</td>
<td>872,614</td>
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<tr>
<td>Germany</td>
<td>400,838</td>
<td>313,050</td>
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<tr>
<td>Netherlands</td>
<td>130,690</td>
<td>171,726</td>
</tr>
<tr>
<td>France</td>
<td>120,283</td>
<td>381,326</td>
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<tr>
<td>Japan</td>
<td>56,866</td>
<td>49,651</td>
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Examining the M&A activity of the top 20 TNCs between 1987-2001 we find German corporations involved in the most deals with the second highest value in dollars. While this is a limited number of TNCs we see here the concentration of power that exists in the dominant sector of capital. These 20 TNCs accounted for one-fifth of the total value of cross-border M&A activity. The following chart includes 17 of the top 20 TNCs involved in cross border M&A over 14 years of activity.
This high level of global integration is another indicator that TNCs are no longer based in nation-centric economies. From 1987 to 2001 there was a total of 59,273 cross-border M&A worth over four and a half trillion dollars. The following year German TNCs were involved in 24 of 81 cross-border M&A worth $1 billion or more revealing the depth of their global activity.

FDI is another key indicator of globalisation as TNCs pour capital across borders linking national production and investments. In the chart below we see that even after the world economic downturn of 2001 transnational networks continue to grow. Germany also had the greatest amount of value added by foreign affiliates at 16.4 percent of its GDP in 1999 compared to 4.1 percent for France and the UK.

The above charts show the power and position of transnational capital in German society, but the following review of some of the largest individual TNCs will help deepen our investigation. Siemens is the largest electrical engineering and electronics company in the world and the largest manufacturer by sales outside the auto industry. Spanning 190 countries with 600 manufacturing sites it has a global workforce of 420,000 and a transnationality index of 56.8. It is still Germany’s largest employer with 167,000 workers even after 86,000 lay-offs over the past 12 years. In
contrast, the company’s global workforce grew by 56% over the same period. Siemens is among the
top 100 employers in the US with 70,000 workers spread throughout all 50 states. Its next largest
collection is China where the corporations employees 21,000.

BASF is the world’s largest chemical corporation and describes itself as a “transnational company
focused primarily on Europe, the USA, Latin America and the Far East.” Of its 14 most important
sites only two are in Germany with three in the US. Recently its biggest move has been in Asia
where it is the number one chemical investor in China. Germany’s other great chemical corporation,
Bayer, defines itself in similar terms writing ‘the cornerstone of our business activities are in
Europe, N. America and the Far East.’ Bayer owns 350 companies operating on all continents with
its combined European sales representing just 40% of its totals.

The German car industry has a particularly strong national identity but its production is thoroughly
transnationalized. DaimlerChrysler is one of the best examples of a merged transnational
corporation. It describes itself as a ‘truly global company’ with a ‘global workforce and a global
shareholder base.’ It operates manufacturing sites in 17 countries and sells its stocks in Frankfort,
New York and Tokyo. Although the corporation has met problems in joint ventures with
Mitsubishi and Hyundai, its trucking operations with China is planned as an export base to Russia,
India, and South Korea. DaimlerChrysler’s truck business is the world’s largest and most globally
integrated with a single range of major parts used throughout Europe, Japan, the US and Brazil.

Volkswagen (VW) has one foot planted in global production and the other in national soil. The state
of Lower Saxony is still Volkswagen’s largest shareholder and just over half of its workforce is in
Germany. With state and union representatives joining together on its board VW has found it
difficult to shed workers and cut costs. Still VW has 19 global production sites, over 80% of its
sales are in foreign countries and it ranks 15th in the world in foreign held assets. VW has the
largest share of China’s rapidly growing auto market and has also moved into Eastern Europe
producing cars in the Czech Republic, Hungary and Poland. Recently it become Slovakia’s largest
employer where wages are one-sixth of those in Germany. VW has been an active player in the
M&A market taking over Bentley, Bugatti, Seat, Skoda and Audi.

Bertelsmann, another transnational with a strong German identity, recently pushed through a
controversial 50-50 merger with Sony Music. The expanded company will control over 22 percent
of world music sales and cut about 25% of their workforce. Bertelsmann’s broadcasting arm RTL
also has a transnational focus and is more dependent on growth in Spain, France and the UK than
their declining market share in Germany. Even their traditional German media rival, ProSieben, is
now owned by an US investor group.

Similar transnational accumulation patterns are evident in Europe’s largest telecommunications
operator, Deutsche Telekom, whose main growth is in the US while its German market struggles
with feeble returns. Underlining their transnational investment strategy Deutsche Telekom paid $2.5
billion for Cingular Wireless taking over its mobile networks in California and Nevada. They also
own between 49 to 60 percent of the telecommunication networks in Hungary, Slovakia, Croatia,
Poland and the Czech Republic. Formerly a state monopoly, the German government is expected to
sell its remaining 43 percent share of the company.

In information technology Germany’s SAP is Europe’s biggest software maker, but Germany only
accounts for about 10 percent of its revenues with 45 percent coming from the Americas and 19%
from Asia/Pacific. Inside Germany the information technology industry is concentrated between Dresden and Freiberg in an area dubbed ‘Silicon Saxony.’ A center of the Soviet bloc’s microelectronics industry, today the area still retains about 760 IT companies and 11,000 employees. But Dresden is evolving into a transnational center of production particularly with the projected investment of $4.8 billion by the US chipmaker Advanced Micro Devices (AMD). Government subsides have helped the region but aren’t limited to German companies, AMD received $745 million in local, regional and federal help. AMD has also entered into a joint venture that includes DuPont and Infineon, a memory chipmaker spun-off from Siemens. Infineon has not limited its efforts to Germany, but is also investing a billion dollars in a new fabricating plant in China with additional expansion into Eastern Europe.

Another indication of the transnationalization of German corporations is in the corporate boardroom where foreign nationals are taking leadership positions. This includes Deutsche Bank chief executive Josef Ackermann, born in Switzerland; the new chief executive of MAN, Jakan Samuelsson, born in Sweden; Lufthansa, led by Austrian Wolfgang Mayrhuber; and RWE, headed by Harry Roels from the Netherlands.

The TCC and Class Conflict

Operating through their dominant position in the German economy transnational capitalists have been actively reshaping German labor relations with frontal assaults on wages and hours. These attacks reflect a transnational political and social view that no longer sees a national accord between capital and labor as a necessary arrangement or competitive advantage since globally networked production undercuts previously established social contracts by its reorganization of labor. So when Bosch, the German car components company, forced French workers to abandon the 35 hour week with no increase in pay similar demands quickly jumped borders to Germany. TNCs including Bosch, Siemens, MAN, Linde, Opel (owned by GM), Mercedes and DamilerChrysler all called for extended working hours often coupled with threats to go abroad.

Siemens was the first to demand an extended workweek at two of their plants pushing hours from 35 to 40 with no increase in pay. As outgoing CEO Heinrich von Pierer noted, ‘I am interested in the social well being of Germany. But we have to improve our costs position in Germany because at the moment our costs are higher than in many other places where we operate. If we’re seeing 4 per cent annual growth rates in economies outside Germany and only 1.5 per cent in Germany, then its obvious we’ll see greater employment growth in the Siemens workforce abroad than at home.’ Attempting to defend their contract IG Metal mobilized 25,000 union members in street protests. In response Siemens threaten to move half their jobs to Hungary where operating costs were 30% lower and successfully forced the union to accept longer hours.

Dieter Hundt, head of the German employers association BDA declared the contract would ‘help create a new collective bargaining culture’ for Germany. And Rudolf Rupprecht, chief executive of MAN, the engineering and truck conglomerate stated, ‘If the 40-hour week is going to re-emerge slowly, we would rather be in the front rather running behind breathing in the exhaust fumes of others. The trend towards the 40-hour week is unstoppable and that sometimes means more work for the same money.’
The corporate offensive next spread to DaimlerChrysler with similar demands on hours and wages and threats to move production to South Africa. This time the union mobilized 60,000 members in protest only to eventually concede once again. Transnational capitalists celebrated the victory, as Keith Hayes, an analyst at Goldman Sachs, said: ‘This is definitely the start of a trend. There’s a new spirit of accommodation … This is a really good step forward.’21 Smelling blood in the water, VW continue the onslaught demanding flexible work rules and a two-year wage freeze. Even this most German of transnationals could not ignore taking advantage of the more competitive labor accords.

Transnational capitalists have focused on German workers because at 1,446 hours per year they work less than employees anywhere except the Netherlands. 22 Klaus Zimmermann, president of the German Institute for Economic Research complained that ‘We have created a leisure society, while Americans have created a work society…our model does not work anymore.’23 But only about nine million German workers labour between 36-39 hours per week, with ten million actually putting in 40 hours or more. According to the ISO research institute, full-time employees already average 42 hours a week in western Germany and 43 hours in the east. Moreover days lost to strikes are extremely low, during the 1990s Germany averaged only 4.8 compared to 42.5 in the US.24

Driving up work hours is only one goal the TCC has for Germany, the other is driving down the overall social costs of labour. As Elga Bartsch, Executive Director of Morgan Stanley argues ‘excessive labour costs are one, if not the main, reason for Germany’s weak economic performance…getting a grip on labour costs is essential in order to regain price competitiveness…if anything the labour market reforms implemented by the government have been too late (and too little). But certainly not too soon.’25 Notice the problem is not labour productivity, which even the IMF admits is about on par with the US, but as they argue, ‘The real lag is in terms of the use of labour.’26 The problem therefore is twofold, to get employed Germans to work longer hours and force unemployed Germans back into the workforce for less pay.

The TCC has turned to the Social Democrats to deconstruct the social accords the party was instrumental in building. The main leadership of the Social Democratic Party (SPD) has linked their future to transforming the German state and its welfare and social security net. Schroder, along with Tony Blair, was an originator of the Third Way; a neo-Keynesian version of globalisation that was fashioned to soften class conflicts and create the human capital necessary for transnational production. But the SPD’s Agenda 2010 has included cuts in the health care system, pension benefits and unemployment coverage, while providing tax cuts for corporations and rules that make it easier to hire and fire workers. The cuts are not as deep as those advocated by the Christian Democrat Union (CDU), but it is clearly an agenda driven by globalist’s concerns.

Among the most controversial changes are those in unemployment benefits designed to force people back into the workforce below normal wage levels. These deep cuts in benefits are known as the Hartz IV laws, named after Peter Hartz, a VW executive appointed by the government to overhaul Germany’s labour laws. Part of Hartz IV was to create a category of low-paid part-time employment called ‘mini-jobs.’ Companies are relieved of social security payments and other taxes associated with hiring new workers, while gaining access to a pool of temporary labour that has already grown to 7.6 million people. Another result of driving the unemployed into low-wage labour is greater competition between Germans and immigrants. Germany has 7.3 million immigrant workers, the largest immigrant workforce in Europe, most filling unskilled jobs.
The Hartz IV cuts in unemployment benefits caused a political explosion, particularly in east Germany where the 18.5 percent unemployment rate is double levels in the west. During the summer of 2004 Monday demonstrations become a regular feature in Leipzig, growing to 90,000 by the fourth week. The demonstrations spread to other cities including Stuttgart, Cologne, Dresden, Magdeburg and Berlin, at one point reaching half a million protestors. Critics of the reforms point out that thousands of jobs in eastern Germany have been destroyed since reunification and that cuts in benefits can’t drive people to work when there aren’t any jobs. As Andreas Ehrholdt, leader of the Mageburg protestors said, ‘We do not need charity, we need work.’

Although SPD leaders eventually were willing to make some minor concessions their loyalty to globalisation remained unshaken. Commenting on union opposition, SPD chairman Franz Muntefering stated, ‘The welfare state in Germany was born as an answer to national capitalism, which no longer exists. The trade unions are still fighting a national battle.’ The drive to reshape the working class to fit the new global relations of production is a central task for transnational capitalists. Only through the transformation of the social structure of accumulation can the TCC realign the Germany economy. To achieve these goals the SPD can count on support from capitalists spokespersons like Ludolf von Wartenberg, director of the German industrial federation, who stated, ‘Everyone must stand behind the decision (to cut benefits) and support the implementation of the reforms.’

The EU political leadership in Brussels also urged Germany to push older workers and mothers to work, gear education for corporate requirements, ease protections against dismissals and decentralized wage negotiations.

While global capitalists go about cutting wages, benefits and security they worry about the lack of domestic demand and consumption. Locked into their neo-liberal dogma and lead by the logic of globalized competition they see the problem as the solution. As one commenter observed, ‘structural reforms are needed to make German labor competitive and help turn globalisation from a threat to an opportunity.’ Yet it is exactly these structural reforms and competitive efficiencies that are driving down German living standards and buying power. Complaining about the lack-luster German economic recovery because of depressed consumption the Financial Times argues the ‘only choice is to press on with product and labour market reform in the hope that this will stimulate demand. In this regard Germany once again is one of the best exhibits of the eurozone’s chronic weakness: inflexible labour supply and early retirement … inefficiencies like this must go.’

But getting older workers to labour for reduced wages is hardly a solution that will propel the German economy upward. As Marx pointed out long ago driving down the cost of labour has always been the Achilles heel of capitalism, resulting in overproduction, underconsumption and economic crisis.

In a globalised economy this tendency has even more serious implications. With depressed consumer spending in Japan, Germany and Europe the US market has been the main engine of the weak world economic recovery since 2002. But spending in the US is supported by huge financial bond investments by China and Japan that prop up the value of the dollar and creates a huge accounts deficit. With the global economy depending on balanced consumption to strengthen all major world markets this puts everyone at risk. Yet the continuing drive by the TCC for efficiency and low labour costs undercuts consumer markets not only in the overly exploited third world, but in the developed world also. As national economies get bound more closely to circuits of global accumulation recession and growth become interlinked worldwide cycles. What threatens one tends to threaten all. With Germany producing one-third of Europe’s GDP, stagnating demand not only affects their national economy but the weak world recovery.
All but forgotten are the post W.W.II Keynesian investment booms that created jobs at decent wages resulting in the US consumer society and the German economic miracle. But capitalism has outgrown such models of national development and now draws its logic elsewhere. As Wolfgang Munchau points out, wages and welfare ‘cannot explain the unexpected, sharp and persistent decline in economic growth since 2001. This decline has been almost entirely due to a fall in private-sector investment…12.1 per cent over three years. For a mature industrial economy this is an extraordinary decline.’32 Yet transnational capitalists continue to blame high wages and welfare for stagnation even as they worry about weakening consumer markets.

The internal logic of transnational capitalism remains in force because of global competition. Afterall why invest in Germany when low wage countries like Poland, China and Mexico are hungry for jobs? Their only answer is to destroy the economic model linked to the previous social structure of national accumulation. These changes are underlined by the expansion of the EU to Eastern Europe with their attractive low wage and tax structures. Even Austria has moved to cut their corporate tax rates and labour protection laws attracting high-profile defections from Germany. While workers continue to protest offshoring, Germany’s six top economic institutes warned against political moves that would deprive businesses of tax advantages and ‘reduce the productivity gains afforded by specialisation within the international division of labour.’33 The global organization of labour results in greater productivity at lower wages abroad resulting in world overproduction with greater unemployment and underconsumption at home, this in turn propels the demand for cheaper labor and longer hours to create a competitive labour market in Germany and somehow all this is suppose to lead to a renewal of a vigorous consumer market.

Instead the resulting political instability is evident in the class conflict over unemployment benefits and also in the political crisis within the SPD. Much of the SPD’s history is based in the working class and institutional support received from the trade unions. With frontal assaults on working class security this base is rapidly leaving the Party. Since Schroder took office in 1998 the SPD has lost close to 20 percent of it members and suffered defeat in a number of important regional elections. In the June 2004 elections to the European parliament they scored their lowest total in a federal election since 1945 with only 21.5 percent of the vote. An even greater indication of crisis is out of 439 electoral districts the SPD is the leading party in only 12, less than the Party of Democratic Socialism (PDS), the reconstructed East German Communist Party. Facing electoral defeats and the lost of 130,000 members Schroder resigned as chairman of the party, but this hardly satisfied the internal opposition.

Klaus Ernst, head of the IG Metal trade union stated, ‘The SPD has not just betrayed its electoral promises, it has betrayed its founding principles.’34 Michael Sommer, head of the DGB trade union federation added he would ‘never make peace with the kind of social reforms’ pushed by Schroder’s government.35 Opposition to SPD’s neo-liberal agenda culminated with the trade unions and left wing of the party creating the Electoral Alternative Labour and Social Justice association. It remains to be seen just how serious the trade union leaders are about splitting with their old friends and setting up an electoral rival. The unions themselves have suffered a decline in membership over the last decade and their defeat in a number of major contract battles indicate their own weakness.

With both major parties committed to neo-liberal globalism, the working class has turned to both the left and right in search for an effective opposition. In recent regional elections the PDS emerged as the second largest party in Brandenburg with 28.3 percent of the vote and also came in second in
Saxony. In a poll taken on political attitudes 76 percent of east Germans remain convinced that socialism was ‘in principle a good idea.’ Far right parties also grew, the National Democratic Party of Germany winning 9.4 percent in Saxony and the People’s Union managing five percent in Brandenburg. Meanwhile both the SPD and CDU saw huge losses, the CDU losing 16 percent of its support in Brandenburg and the SPD scoring below 10 percent in Saxony, a historic low. Such electoral swings reflect the struggle over neo-liberalism and the fact that both major parties are dominated by globalist sectors of the capitalist class.

Nationalist/Globalist Conflicts

Globalisation has not only created tensions between the capitalists and working class but divisions between nationalist and globalist wings of the bourgeoisie. One of the most interesting cases involves Vodafone’s takeover of Mannesmann and the resulting court case against six of Mannesmann’s former directors.

The $185 billion buy-out of Mannesmann by Britain’s Vodafone/Airtouch was the most expensive deal in corporate history and created the largest wireless telephone corporation in the world. Not only does the company control the biggest Euro markets in Britain, Germany and Italy, it has holdings in more than 30 countries including the U.S. and Japan. Vodafone/Mannesmann also achieved a monopoly over wireless communication putting it in position to be the largest Internet portal in Europe.

The takeover of Mannesmann was a protracted battle in which both corporations tried to gain advantage by moving directly into the other’s market. In January 1999 Vodaphone acquired Airtouch in the U.S., an important minority partner of Mannesmann. Mannesmann fought back by entering the British market when it bought out the large mobil phone network Orange for $33 billion. When Vodafone stole away another Mannesmann partner, this time in an Internet deal with Vivendi in France, they had finally maneuvered into a dominant competitive position.

Although both corporations had strong domestic identities their respective governments steered clear of being drawn into a nationalist brawl. Even as Mannesmann was threatern by a hostile foreign takeover, Schroder judged government interference could jeopardize future mergers in which German corporations would continue their global integration.

To think of the English, Germans, or any national group as winners in these mergers is to miss their essential character as transnational deals engineered by de-nationalized elites with common goals and interests. Even as Mannesmann’s CEO, Klau Esser, struggled to devise a better negotiating position he declined to use nationalist political rhetoric as a strategy to defend his corporation. Tens of thousands of union members protested the proposed merger, as did most German investors. Yet Esser ignored his domestic audience and appealed to his global shareholders to hold out for a higher share price. When Vodafone upped their offer by 77 million pounds the majority of shareholders bought the deal. Esser’s main goal was to build a new transnational giant beneficial to his international investor base not protect a ‘German’ company. Although considered a national champion in reality Mannesmann was already a transnationalized corporation with many institutional investors in the US and Britain. Mannesmann also had important global holdings such as Italy’s second-largest phone company Infostrade and major US interests in phone, publishing and music.
As the dust settled nationalist anger over the deal continued to boil resulting in a controversial trial in 2004. Six former directors of Mannessmann, including Ackermann of Deutsch Bank, were accused of breaching their fiduciary duties for awarding 60 million pounds ($74) in executive bonuses including 15 million pounds to Esser. In essence the case accused Mannesmann executives of being bribed into accepting Vodafone’s offer. Driving the case was popular anger over huge bonuses at a time when many Germans were facing cuts at work. But for the TCC the case was about whether or not Germany was ready to accept higher standards of executive pay common in the Anglo-American model. Therefore the real issue was over executive privileges adjusting to global corporate standards or holding to traditional lower levels of compensation set by the German social contract. The outcome was a weak compromise in which the judge ruled no criminal activity but also stated the bonuses were inappropriate.

The controversial case quickly spilled over to the issue of making executive pay levels public. The German tradition of making corporations responsible to a variety of stakeholders including workers and communities continued to fire resentment over excessive pay. Unions were rapidly seeing their traditional power eroded, members working longer hours plus weakening union influence on corporate boards. One concession within their reach was making executives disclose their salaries in an attempt to moderate pay levels to show “solidarity” with workers taking cuts. At first uncomfortable, executives began to accept disclosures because it moved Germany closer to Anglo-American business culture, the template for global corporate practice. Executives realized ultimately the results would be higher compensation rates as corporations compete for the best executives with transparent pay levels.

Still the German tradition of co-determination is a continual problem for executives pushing their corporations further into transnational practices. Infineon chief executive Ulrich Schumacher was forced to resign when he threaten to move corporate headquarters to Switzerland. And Jurgen Schrempp, head of DaimlerChrysler, has faced harsh criticism within his board over failed links with Mitsubishi Motors. Resistance to globalization not only comes from union members on the board of directors but also sectors of the business community that believe in the German post-war consensus model. The relationships, habits of business, economic success and long established political and economic interests built into social consensus are all obstacles to transnationalization creating multi-level conflicts in German society. The struggles between the national and globalist political/economic blocs are determining the specific nature of German transnationalization.

**National Champions?**

As the transformative process of globalization deepens a wide range of battles have erupted between competing capitalist groups. The debate over national champions is a fascinating mixture of global competition couched in nationalist rhetoric. The main players encompass German and French transnationalists as well as EU political elites from Brussels. The controversy began when France’s finance minister Nicolas Sarkozy, the most free market advocate in the conservative government, began to promote a national industrial policy to protect French engineering and pharmaceutical TNCs. When Sarkozy prevented Siemens from having a role in restructuring the troubled French engineering corporation Alstom, Schroder scolded the minister for being “extremely nationalistic” and came out with his own plan for creating a national champion in the German banking industry.
Both Sarkozy and Schroder are being pushed by popular national political pressures as workers and the middle class show mounting anger over de-industrialization and offshoring. Sarkozy who has high hopes to become the next president, is openly feuding with Jacques Chirac for popularity, while Schroder’s neo-liberal policies have his party on the edge of disaster. In addition TNCs will use any advantage to protect and extend their competitive position, including seeking refuge under nationalist rhetoric. But these conflicts also reflect a transitional period in which divided interest and consciousness can play an important role. Transnational capitalists may still feel rooted to their culture and still have important economic interests invested in their country of origin. All these factors can produce political battles that rage back and forth between nationalist and globalist tensions as a synthesis of interests begins to emerge with elements of the old national accumulation structure still present in the new transnational system.

All these factors were in evidence when the French government prevented the Franco-German pharmaceutical group Aventis from accepting a friendly takeover by Switzerland’s Novartis. Instead the French government backed a $57 billion bid from Sanofi-Synthelabo whose major stockholder is the French oil group Total. After completing the deal Thierry Desmarest, chief executive of Total commented, ‘It is important that big French companies have their decision-making centers in France…I think this project has numerous advantages for our country’36 But the purely French character of the merged corporation is questionable since Aventis had 9,000 workers in Frankfurt, a German CEO and half of its management board that came from the old German drug company Hoechst.

Underneath the nationalist rhetoric Desmarest’s main concern is to work around Europe’s commitment to national health care that constrains pharmaceutical profits in the face of neo-liberal competition from America. Both France and Germany have imposed sharp price cuts for drugs, Germany driving down costs by 16 percent for many pharmaceuticals. As Roche chairman Franz Humer reacted, ‘Europe needs to wake up. This short of pricing environment is helping to drive investment abroad.’37 Faced with mass support for cherished social programs from the national era, European TNCs are forced to moderate their political project. But in order to help level the playing field, European transnational capitalist are quite willing to use state intervention. Although nationalist in form, the French government’s intervention actually strengthens the competitive position of this Franco-German globalist firm. Merging Sanofi and Aventis will create the world’s third largest pharmaceutical TNC ready to compete on the global stage. Thus global capitalists transform the function of the state to serve their class interests while using nationalist rhetoric to defend their actions. Reacting to the French cry for a national champion, the chief executive of Novartis, Daniel Vasella, said, ‘I’ve never seen anything like it.’ To argue Aventis was “purely French was strange” because Rhone-Poulence had acquired the US company Rorer, then merged with a German company Hoechst, which itself had bought out the US corporation Marion Merrell Dow. 38 Hardly a ‘national’ champion, but the capital grouping around Sanofi and Total were able to use their ties to the French government to successfully battle off Novartis.

Another key issue is that an important sector of the globalist hegemonic bloc includes well-paid professionals who work for large TNCs, many in the drug industry. Maintaining political legitimacy and consolidating support for the globalist project remains an important national concern as each country shapes its own particular insertion into the global economy. Therefore retaining a base in certain job sectors is still a necessary task and the knowledge based pharmaceutical industry accounts for eight percent of the French GDP. Therefore globalist projects have important national considerations as they rearrange local economies to fit transnational networks. This can create a
political mixture at the local level that makes certain aspects of their nationalist rhetoric ring true. This is how the synthesis takes form, using the state to serve transnational projects while still reflecting elements of national concern.

Volkswagen is another TNC that will use nationalist appeals to protect its competitive position in Germany. When the European Commission moved to open EU markets to independent manufacturers selling spare part replacements for autos, VW demanded government protection. Yet Bernd Pischetsrieder, VW chief executive, called French and German attempts to create national champions “nonsense.” And when asked about Germany’s ‘VW law’ which protects the automaker from takeover Pischetsrieder stated that it was ‘because politicians want to be re-elected.’ ‘I don’t think it has any other than emotional importance.’

Commenting on Pischetsrieder’s attack on national champions the Financial Times praised ‘Business executives such as Mr. Ackermann and Mr. Pischetsrieder who can see clearly the truth to which the politicians are foolishly blind. Companies with global ambitions are capable of finding partners to give them scale and reach, but find they are blocked by outdated legislation, excessive regulation and tax structures from a pre-globalisation era.’ Attacking the old accumulation structure is exactly the intent of the VW executive. Yet on an individual basis TNCs will take advantage of nationalist measures when they protect their own interests but promote transnational policies as a strategic direction in the struggle to realign the national economy. Again we see the adoption of nationalist traditions to promote transnational ends as emerging elements of globalisation.

Global Finance vs. the National Economy

Inside Germany the most hotly contested battle over national champions is in the finance sector. After W. W. II banks and insurers were key players in rebuilding financial and industrial strength. Financial institutions held large direct interests in industrial companies and developed a culture in which financial executives held many non-executive positions on industrial boards. For example, Josef Ackermann of Deutsch Bank is also on the board of Siemens, Linde, Lufthansa and Bayer. This mutual support network was known as Deutschland AG; but with globalisation major banking and insurance companies have begun to divest large chunks of their old industrial shareholdings. Also under threat are low cost loans to Germany’s mid sized business community (Mittelstand) from the regional Landesbanks. The Mittelstand sector generates 60 percent of the GDP, employs 70 percent of the workers and provides 80 percent of training positions. Traditionally they have depended on bank lending for finance but now face a credit squeeze as the financial sector has developed more global interests.

Lastly, Germany has three levels of banking that includes private-sector banks, not-for-profits cooperatives and state-owned regional saving banks. This system of 2,700 banks has served the national economy well by providing a strong range of local and regional financial resources, but has limited the size of the larger institutions. Germany’s top five banks have only 3.8 percent share of the countries deposits lagging far behind other European markets. For example, the top five banks in Sweden have 75 percent of total deposits; top UK banks have 67 percent, and similar institutions in France 47.6 percent. Among the top ten global banks by assets, Deutsche Bank is the only ranking German institution at number six. But in terms of market capitalization it ranks only tenth among European banks. Foreign financial services have also been slow to enter Germany with
assets of just 4.7 percent compared to foreign controlled financial services in the UK at 51 percent and 25 percent in Belgium.43

In order to survive global competition German financial institutions are under intense pressure to grow through consolidations and mergers. But in order to achieve competitive size they need large partners outside of Germany’s divided and smaller institutions. Global institutions are able to offer an array of services overwhelming national banks that can’t match their resources. A merger and acquisition wave is already starting to sweep through Europe with nine countries involved in six large cross-border mergers since 1999. Schroder has responded by calling for a consolidation of German banks to create a national champion but as Gary Parr, deputy chairman of Lazard, points out, ‘no one country is large enough to provide an adequate base. The combined market capitalization of Citigroup and Bank of America, for example, is larger than that of all the publicly traded banks in France and Germany combined.’44

Some of Germany’s biggest banks have already developed global growth strategies by focusing on expansion into Eastern Europe. Commerzbank has made acquisitions in Poland, Hungary and the Czech Republic, and moved their back-office work to Poland, the first German bank to do so. Hypovereinsbank (HVB) bought into Bank Austria gaining access to an 850-branch network throughout central and Eastern Europe. They plan on building another 200 branches spanning 11 countries. Announcing the plans chairman Erich Hampel said, ‘We have set ourselves a clear target. We want to become the undisputed number one in central and Eastern Europe.’45 HVB has also held merger discussions with Spain’s top bank, Santander Central Hispano. Deutsche Bank entered global ranks when it acquired the UK’s Morgan Grenfell in 1989 and latter Bankers Trust and Scudder from the US.

But nationally based capital groupings still have strong interest in maintaining the old structure. State guarantees against financial bankruptcy enable local industry to borrow from government owned regional banks at low rates. This creates a powerful base for national capital organized around Germany’s savings banks in Deutsche Sparkassen und Giro Verband, the Mittelstand companies and local and regional governments that have direct interests in the regional Landesbanks. State backing of low interest loans undercut private commercial banks but the practice is about to end under pressure from the EU. As one commenter points out, ‘That will be good for German capital markets and bad for German companies that depend heavily on debt to finance themselves…given the increasingly defensive and inward-looking attitudes in some German boardrooms …it is just possible that the temptation in Germany Inc will be to try to turn back the forces of reform transforming the protectionist impulses of national champion strategies into even more negative and anti-competitive actions.’46

Just such defensive attitudes were voiced by Dietrich Hoppenstedt, president of Deutsch Sparkassen, who called on private-sector banks to ‘abandon the old mindset of being the enemies of state-owned savings banks and start thinking of Germany. What disturbs me most is that these banks only look from the point of view of what is good for their shareholders, not what is good for the market, the economy or their customers.’47

Hoppenstedt was responding publicly to statements by Rolf Breuer, Deutsch Bank supervisory board chairman and head of Bundesverbank deutscher Banken, the private-sector banking federation. Speaking about the pressure on Deutsch Bank to find a national partner he said, ‘We do not deny our roots. We stick to our history and tradition. But the majority of our customers, the
majority of our employees, the majority of our earnings are not German. So why should we be the German icon?’ In a press interview Breuer went on to attack just about every aspect of the national economic model. He supported increasing the number of foreign executives, called for longer hours and less pay, criticized co-determination, urged the Landesbanks to merge with foreign partners and attacked Germany for driving away pan-European corporations with high taxes and rigid trade union regulations.48 A more clearly articulated transnational agenda would be hard to find.

The conflict between globalist and national financial interests are being played out in several arenas. The nearly bankrupt Landesbank West LB was taken over by Thomas Fischer who had headed up risk management at Deutsche Bank. Fischer’s strategy is to take the regional bank and turn it into a global institution. As he states, ‘My ideal is a well-arranged universal bank in the Citigroup mould… I’m running a bank based on profit. That is what Landesbanks have to understand. Profit is quality.’49

At the center of struggle to globalize German banking is Deutsche Bank. Ackermann, who took over as chief executive in 2002, has been a powerful force for transnationalization. But Ackermann and his globalist allies have been struggling to overcome the legacy of the country’s industrial heritage and have faced both internal opposition and a wide range of foes throughout German society. Ackermann had promised raising the banks pre-tax profits rates to 25% but was burdened with an 18 billion pound portfolio of traditional German industrial stocks that average just one percent returns. Large banking investments in industry has been a pillar of the German economic model and Deutsch Bank maintained stocks in such giants as Bayer, Munich RE, RWE, Linde, Allianz and DaimlerChrysler. With the support of the bank’s international investors, Ackermann was able to unload 14 billion pounds in industrial stocks. Strengthening Ackermann’s globalist position are investment bankers in the New York and London Deutsch branches who account for 70 percent of the institution’s pre-tax profits.

Deutsche Bank is also one of the most important players in global money markets that are tied together by a vast web of cross-border currency flows. Money markets trade about $1.9 trillion dollars everyday and are the biggest and most global markets in the financial world. The top five banks in currency speculation include UBS with 12.36% of the market; Deutsche Bank with 12.18%; Citigroup at 9.37%; JP Morgan with 5.78% and HSBC at 4.89%.50 Trading in money worth hundreds of billions everyday, these banks become less invested financially or politically in the strength of any single currency. All currencies are part of their market and so the differences in rate, volatility and arbitrage become their main concerns.

Another division has been created by the growing denationalization of the executive leadership. Certainly many German managers are pushing for globalization, but there are also interesting splits between the Deutsche Bank executive committee, half of whom are non-German, and the supervisory board most of whom are German. In addition, some of the brightest rising corporate stars are non-German executives such as Indian born Anshu Jain whose fixed-income division led the bank with a growth rate of 28 percent. The struggle between pro-German traditionalists and globalists has been openly acknowledged. As one senior executive stated to the press, ‘The truth is the supervisory board is stuck in the 1970s. It is 90 percent German and 90 percent non-bankers. Yet they can heavily influence our strategic direction and they would simply veto a cross-border move.’51 Another bank insider commented, ‘Lately, it’s been like a massive civil war. But sooner or later, the reactionaries will resign or get fired.’52
Tensions began to build as Ackermann explored possible cross-border deals with the Lloyds, Barclays and Credit Suisse. But it was his interest in a merger with Citibank that set off the furor over national champions. Opposition to a cross-boarder merger didn’t just come from German traditionalists but also representatives of the biggest TNCs. A number of the bank’s biggest customers including Siemens, SAP, Allianz, Daimler-Chrysler and Deutsche Telekom meet with Schroder voicing their opposition to a foreign merger. Here we see evidence that transnational capitalists will often pursue their immediate economic interest over the general interests of their class. Most of these TNCs have representatives on the supervisory board of Deutsch Bank and want to protect their influence and access to easy loans that would be weakened in any cross-border deal. For Schroder it provided greater cover to call for a German national champion with political support from both the transnational and national wings of capitalism as well as unions and workers already angry over losing jobs to foreign flight.

The chancellor urged Deutsch Bank to look at Postbank, the country’s biggest retailer with 62 percent government ownership. As Schroder stated, ‘We need an institution in Germany that is globally competitive.’ But Schroder is not particularly wedded to a purely German entity, he has also suggested a European champion saying, ‘I’m in favor of using all opportunities to create competitive European entities that transcend national egoism…that can compete against American and Asian companies in the globalized economy.’ Many observers have worried over the new state interventionism of Germany and France. But they fail to focus on the role and purpose of the state’s efforts, typically inferring any state activity is a throwback to nationalist politics. Schroder’s goal is to help integrate Germany into the global economy seeking out the proper rearticulation that takes into account the balance of political forces. This is what Leslie Sklair has called, ‘emergent global nationalism…the view that the interests of one’s nation or nation-state…are best served if it can find a lucrative set of roles within the ever-expanding global capitalist system.’

Third Way social democrats like Schroder have redefined national interest through the prism of globalization. They argue Germany’s future economic health and social welfare is tied to being a competitive component in the global chain of accumulation. Therefore, realignment and insertion become the national political agenda and the SPD political role is to use the state to help accomplish the transition. Their attacks on traditional national labor relations is part of this trajectory, an effort to create a new social structure of accumulation that is more efficient, will allow Germany to grow, and therefore benefit the general population. The same logic drives the quest for a national champion. This is not a campaign to reestablish some Fordist industrial era policy, but a complex class struggle to find a compromise sensitive to the history and circumstances of Germany. As Dieter Hein of the Frankfurt research group Fairsearch has observed, ‘Politicians hold the key…they have to create the framework that will allow strong banks to emerge. That means restructuring the state sector.’ This also means getting regional governments and cities to relinquish control over the Landesbanks and opening the state sector to global competition. All these economic and political interests are expressed through the actual class struggle so that an organic synthesis emerges to create globalization in Germany.

As William Robinson has pointed out, ‘State managers are exposed to a multiple and contradictory pressures, including distinct sets of local and transnational demands…State managers may respond to the agenda of a transnational elite, but they must simultaneously sustain legitimacy, or at least attempt to, among nation-based electorates and often develop contradictory strategies and legitimation discourses.’
As we weave our way through the complex maze of conflicts we see Germany’s global realignment reflects their own historic circumstances and the strength and organization of class forces within their society. The dominant transnational class faction continues to battle national groupings organized in finance, production, trade unions and local government. In addition, national populism has erupted into protests and created a crisis of legitimacy for the major political parties. Even members of the TCC have internal differences that at times clash with the overall interest of their common class project. But clearly the central contradiction that conditions these different sets of conflicts is between the old and newly emergent structures of capitalist accumulation. Therefore our study of globalization must focus on both aspects of the dialectic. The particular national patterns of insertion produced by uneven development, and the universal forms of accumulation and class relations forged by transnational capitalism.

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20. Atkins, 16-7-04, p. 2.
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