

Germany: Embezzlement scandal at telecom giant Mannesmann

Ludwig Niethammer
27 March 2003

Charges laid by the Düsseldorf state attorney's office against five captains of German industry and the head of Germany's giant engineering trade union IG Metall, Klaus Zwickel, have led to a storm of media coverage.

Earlier this month the state attorney's office confirmed that the six accused were former directors or members of the board of the telecommunications giant Mannesmann. They were Deutsche Bank head, Josef Ackermann; trade union IG-Metall chief, Klaus Zwickel; former chairman of the board, Klaus Esser; his predecessor, Joachim Funk; erstwhile chairman of the joint trade-union committee, Jürgen Ladberg; and a former managing director, Dieter Droste. In a 460-page indictment they were accused of several counts of gross embezzlement, a punishable offence which could attract sentences of up to 10 years prison.

The legal investigation has resulted in a roll-call of those comprising the so-called "new economy" ending up before the courts. The take-over battle of Mannesmann by the British mobile telephone company Vodafone dominated headlines for weeks in the spring of 2000. Eventually an "amicable" agreement was stitched up and Vodafone swallowed up Mannesmann for the record sum of 180 billion euros (paid for in shares).

Prior to a deal being reached, high-ranking managers and directors had awarded each other settlements and premiums worth millions of deutsche marks, actions which the state attorney's office has now found to constitute embezzlement. Moreover, company employees were made to pay for the cost of the take-over. After the merger, Mannesmann's labour-intensive industrial sections were liquidated or disposed of. Vodafone was only interested in the Mobilfunksparte (D2) that the centuries-old steel concern had acquired several years earlier and which now, thanks to the boom in the "new market," comprised the largest portion of the enterprise's value.

Germany's financial and economic elite have condemned the two-year investigation and reacted with horror to the laying of criminal charges. The Deutsche Bank immediately declared, "Another nail in Germany's coffin—who would

still be prepared to accept a directorship if he has to reckon with the possibility of ending up in jail?"

The former head of Mannesmann, chief Klaus Esser, defended himself arguing that because he was responsible for value of the company's shares increasing by 100 billion euros, it was perfectly routine to grant himself 30 million euros. Consequently, he had little sympathy for the envy and ill-will being displayed by the poorly paid investigators.

Deutsche Bank chief Ackermann said he was unable to comprehend the biting criticism which the size of the bonus payments attracted in the media. In Switzerland, his country of origin, and in other countries, managers' salaries and premiums in the millions were "taken for granted", he commented.

The investigators were not swayed by these arguments and even the Düsseldorf Ministry of Justice, which could have halted the prosecution, gave the state prosecutors a green light to continue. An intervention by the Justice minister would have seemed too much like collusion between the ruling Social Democratic Party (SPD) administration and their friends in the managerial layers of the unions and the banks.

There are political considerations at stake in putting a brake on the blatant abuses of the speculative boom of the '90s. The unabashed and unrestrained self-enrichment by some company heads is extremely embarrassing for federal and state administrations under conditions of declining wages, growing unemployment and savage cuts to social services.

In the face of a growing social downturn, sections of the ruling elite fear the development of a broader social movement questioning the entire social and economic system. The scale of the antiwar demonstrations of February 15 would undoubtedly have heightened such concerns. The Düsseldorf courts obviously had such considerations in mind and concluded that the time had come to discipline several top managers who were too greedy. Their efforts to at least preserve the appearance of social fairness are unmistakable.

The line they adopted was prepared by sections of the

media and some SPD and conservative CDU/CSU politicians. Former SPD leader Oskar Lafontaine wrote in his regular column in *Bild*, “The salaries and remuneration in the leading layers are, as the case of Mannesmann proves, organised criminality. That they are rewarded with tax cuts is scandalous.” He demanded that million dollar severance payments be banned and that directors of large companies be made liable to instant dismissal.

Even the CSU (Christian Social Union) head and Bavarian chief minister, Edmund Stoiber, commented on the difficulty of selling the “free market” in the light of such massive pay-outs.

Notwithstanding, the rate of cuts to social spending will continue. In fact, the prosecution of the Mannesmann heads serves to some extent as a fig leaf to cover up even sharper attacks against the working population.

Throughout the '90s, the governing SPD-Green Party placed their hopes on the endurance of the share market boom. Accordingly, Chancellor Schroeder and the then minister of the NRW, Wolfgang Clement, welcomed the Mannesmann-Vodafone merger, assisting the enterprise with billions in tax breaks.

This short-sighted political strategy of the SPD-Green coalition has proved a complete debacle. The result has been 5 million out of work, a growing public debt and the destruction of the social security system. Share-holder capitalism has produced a tiny layer of super-rich with the rest of society left to pay the consequences.

While the majority of the population finds the situation unbearable and sent the SPD at the latest elections into the political wilderness, the federal government has heightened the crisis, reacting with even more savage attacks on social conditions.

The fact that union chief Klaus Zwickel and another IG-Metall leader, Jurgen Ladberg, are implicated in the Düsseldorf criminal probe is of particular interest. Together they sat on the four-member special committee which was established to govern the corporate board's internal affairs. This committee dished out exorbitant settlements and bonus payments—estimated to total over DM 250 million—to managers and pensioned-off board members.

The state attorney's office declared in their indictment that they were strongly persuaded that a majority of the financial transactions, negotiated in great haste before the take-over was effected, served “exclusively to enrich of the favoured parties” and acted as a “conscious violation of social wealth”. They were not convinced by the protestations of Mannesmann's former head, Esser, that he was entitled to his bonus (he received DM 60 million altogether). They accused Esser and his predecessor Funk of being “open to the highest bidder”. Both allowed themselves to be “paid

off” in the course of Vodafone's “friendly” take-over.

However, not only Esser and Funk, who between them pocketed DM11.3 million, were royally rewarded. According to the report, “various others, not on the board of directors” were also given money: “Dr. Kurt Jurgen Kinzius, DM3.7 million; Peter Gerard, DM2.7 million; Albert Weismuller, DM2 million; Lars Berg, DM1.5 million.” Eighteen long-departed board members were paid out over DM61 million. The committee simply worked out the remaining life expectancies and paid these sums, together with generous rises, as up-front advances.

Without the agreement of Zwickel and Ladberg this orgy of enrichment would not have been so easily carried through. The investigators ascertained that all involved had relied on details of the deal remaining a secret. This applied above all to Zwickel. Esser was assured, the investigators confirmed, that the trade union representatives adopted a more prudent attitude on the board of directors than the more belligerent one they adopted before the public. Such a method had worked well for 50 years.

A regional union head, commenting in *Stern* on the charges against Klaus Zwickel, reached a similar conclusion, “There will be no fallout for Zwickel in IG-Metall because all our hands are dirty ... every one of us has been involved at some time in some disgrace and we are still able to continue our work. That's the way it goes.”

Countless workers experience this for themselves on a daily basis when they lose their jobs, their wages are cut and social conditions are destroyed. The unions work hand in hand with the employers and the SPD-Green coalition government. Occasionally, they mouth a brief opposition, as at present over the issue of the proposed removal of special protection against dismissal, only a short time later to renew their subservience to government and big business representatives.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact