

# Germany: Left Party leader supports Wall Street bailout

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US Treasury Secretary Henry Paulson has received support from an unexpected quarter. The chairman of the German Left Party, Oskar Lafontaine, has expressed his support for the Bush plan to provide Wall Street with hundreds of billions of tax dollars.

Even Chancellor Angela Merkel (Christian Democratic Union, CDU), who is usually known for her “cosy approach” to Washington, felt obliged to accuse the US government of serious failures. She has also bluntly rejected offering any German tax funds in support of the \$700 billion US rescue plan for Wall Street.

A government statement last week by Finance Minister Peer Steinbrück (Social Democratic Party, SPD) struck a particularly harsh tone. Speaking in parliament, he explained why he, together with the other G7 members, rejected any participation in the American bailout plan. “The US is the origin of the crisis,” Steinbrück told the Bundestag. Washington had always rejected any controls over the finance markets and was responsible for the “earthquake affecting the architecture of international finance,” he said.

Oskar Lafontaine has adopted a completely different attitude. In an interview with Reuters, he attacked the German government for refusing to support the US administration. Lafontaine is quoted saying, “I regret that German policy amounts to saying that the US should see how they cope with this. That is a wrong approach.”

The government must “help the US to save the crisis-ridden banks,” Lafontaine demanded. He criticized as “inappropriate” the reaction of economics minister Michael Glos (Christian Social Union, CSU), who had said that everyone should do one’s own housekeeping. According to Lafontaine, Glos was overlooking the fact that German banks were equally implicated in the crisis

in the US, and went on to add, “I regard it advisable that the German government not issue such provincial statements, but recognized that one must cooperate.”

Although the so-called rescue plan would throw at least \$700 billion in tax funds into the banks’ craw, and continue the personal enrichment of their top managers, Lafontaine says there is “no alternative” to supporting the rescue package.

He justifies this with the words: “Cash flow is the bloodstream of the economy. The US is the physician at the patient’s bedside who must ensure that the blood continues to circulate.” Washington has no other choice than to “return to the Stone Age prescriptions of socialism, i.e., nationalization,” he argues.

On its web site, Reuters published only one article with a few short quotations from the interview with the Left Party leader. This includes the following characterisation of his remarks: “In the opinion of the leader of the Left Party, Oskar Lafontaine, under certain conditions the German government should cooperate more closely with the efforts of the US to rescue the banks in order to overcome the international finance crisis.”

“It is a unique opportunity to bring some order to the financial chaos,” Lafontaine told Reuters, saying that a condition for such cooperation is for the German government to insist on a new financial structure to prevent future crises and speculative bubbles.

Two days later, Lafontaine reinforced his views in an interview with the *Berliner Zeitung*. Asked whether Angela Merkel had acted correctly in refusing to participate in the US rescue package for the banks, Lafontaine answered that Germany had “already prevented the bankruptcy of the IKB private bank and some state banks through injecting billions of tax proceeds.”

Then he added, “As far as the financial markets are concerned, Germany, together with partners such as the US and Britain, must agree structural reforms to reduce risks and increase stability.” He then repeated a shortened version of his formulation of the day before: there was no alternative to supporting the US government’s measures because cash flow constitutes the bloodstream of the economy and cannot be interrupted. “Without functioning cash flow the real economy suffers,” he said.

These statements are very informative, saying far more than the many hundreds of pages in Lafontaine’s books, such as “The Heart Beats on the Left” and “Rage Grows.” They make clear what should be understood by his radical clichés about “abolishing robber baron capitalism” and his complaints about the “excesses of casino capitalism.”

Under the headline “Lafontaine jumps to Bush’s aid,” the *Süddeutsche Zeitung* writes: “Of all people, Lafontaine is now demanding Germany support the \$700 billion relief action, while the government declines.” The paper calculates that “taking the economic resources of both countries as the yardstick, Germany would have to cough up more than \$100 billion.” This would be enough “to increase German pensions by around a quarter,” some welfare benefits could be trebled and it “would be approximately 20 times as much as the reestablishment of the wealth tax would bring in.”

But it is not just these examples that show how antisocial and reactionary Lafontaine’s views are. With his statement that there is “no alternative” to the US government bailout package, and his criticism of the refusal of the German government to support it, the chairman of the Left Party is positioning himself clearly on the side of the financial aristocracy. His choice of words hardly differs from those of Treasury Secretary Henry Paulson, who stressed again and again during the recent Congressional hearings and in innumerable interviews that the planned \$700 billion gift to the banks was indispensable in order to prevent a credit squeeze and the freezing up of monetary circulation.

Lafontaine is no political novice and is an expert in handling the media. His interview with Reuters is addressed to Germany’s ruling financial circles. This former finance minister wanted to signal to the elite in

the boardrooms of the banks: I am still one of you.

Precisely because the influence of the Left Party is growing and serious consideration is being given to the option of a “left government” in the states of Hesse and in the Saarland, and possibly also at the federal level, Lafontaine wants to make it plain that as leader of the Left Party, just as when he was a leading figure in the SPD, he will not threaten the present social setup.

His formulation that a “functioning cash flow” must be maintained offers up a sedative to the banks: if cash flow is the “bloodstream of the economy” then the banks are its heart. In other words, Lafontaine is making it clear that he will not touch the power of finance capital.

His friend of many years, Dominique Strauss-Kahn, who was finance minister in France at the end of the 1990s when Lafontaine headed the treasury in Berlin, advocates the same views in the present financial crisis. In an article in the *Financial Times*, Strauss-Kahn, who is now the managing director of the International Monetary Fund, writes: “I welcome the steadfast steps of the American government and hope for their effective implementation. Other big national economies should take comparable measures...”

The Paulson plan, to which Lafontaine says there is “no alternative,” is an unprecedented transfer of public assets into the hands of the financial elite. Lafontaine stands reality on its head and calls the bailout the “nationalization” of the major banks, as if it had something in common with the socialist demand to nationalize the banks under the democratic control of the working population. Last week, he spoke at an election rally in Brandenburg and said it was an “irony of world history” that the US government was putting the banks under state control through its “gigantic buying up of rotten debts.”



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