

The financial crisis and the comeback of Gerhard Schröder

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At the start of this week, the German weekly news magazine *Die Spiegel* appeared with the lead story titled “Schröder’s Comeback.” The article dealt with the “creeping putsch” with which the Social Democratic Party has “reorganised” its leadership in the course of the last week and notes: “Suddenly ex-chancellor Gerhard Schröder is once again part of the game.”

On the same day, the *Berliner Morgenpost* wrote of the “the return of the power broker Schröder” and *Die Welt* commented on the “amazing transformation of Frank Walter Schröder.”

It is a well-known fact that German Foreign Minister Frank Walter Steinmeier is a political protégé of the ex-chancellor and headed Schröder’s own state chancellery in Hanover before taking over the federal chancellery during the period of the Social Democratic Party-Green government (1998-2003). It has also been confirmed that the SPD putsch and the imposition of Steinmeier as the party’s candidate for the post of chancellor, as well as Franz Müntefering’s elevation to the post of chairman of the SPD, was carried out in close consultation with Gerhard Schröder and leading business associations.

It was no accident that top representatives of the German economy welcomed the abrupt change in the party leadership presidency and the nomination of Steinmeier as candidate for the chancellorship as an “encouraging indication of a course change by the SPD.” The president of the German Employers Association (BDA), Dieter Hundt, and the president of the German Committee for Industry and Commerce, George Ludwig Braun, explained they now saw “good chances for a continuation of Gerhard Schröder’s Agenda politics.”

Schröder’s return to the political stage must be seen in connection with the dramatic intensification of the international financial crisis. For months, German politicians and business representatives have been warning that the US mortgage crisis was “by no means

over.” Alarm bells began to ring in Berlin in March when the US government moved in to bail out Bear Stearns. However, when Lehman Brothers finally collapsed last weekend and Merrill Lynch was hastily sold off, political and economic circles in Berlin were taken by surprise.

In just six months, three of the world’s five largest investment banks have collapsed. In its lead article Tuesday headlined “The Crash,” the *Süddeutsche Zeitung* wrote a virtual obituary for Wall Street: “Wall Street: that was the pride of America. The heart of capitalism. The place that determines the rules of the world economy. Wall Street, as we knew it: now it is no longer.”

With its heavy dependence on its export sector, the German economy is directly affected by the international banking crisis. In addition, the country has not forgotten the political consequences of the banking crash and economic collapse that took place 80 years ago. Following the collapse of Wall Street in October 1929 and the withdrawal of funds by American banks from Europe, mass unemployment in Germany soared overnight to 6 million. The German government reacted by shifting the burden of the crisis onto the backs of the working class. Existing democratic structures were abolished, parliament suspended, and the government ruled via emergency decrees. At the time, the SPD supported such measures by the Brüning government and therefore prepared the way for the Nazis to take power.

Once again, the ruling elite is determined to shift the burden of billions of losses onto the shoulders of the working population, and the SPD is again lining up to play a leading role. Schröder’s return to the centre of the political stage is directly bound up with an intensification of his Agenda 2010 policies and a fresh round of social attacks. There are already loud calls for the abolition of existing forms of sick pay and further weakening of the legal protection against dismissal.

Schröder's return is also significant in another respect. While Chancellor Schröder pursued a foreign policy that was expressly critical of the Bush administration, his opposition to the US invasion of Iraq was by no means an expression of a principled opposition to war. The SPD-Green government was quite willing to support the NATO war against Serbia in 1999. And with regard to Iraq, the Schröder government cooperated on a number of levels with the US military.

Nevertheless, Schröder refused to send German troops to Iraq and made clear that Germany had its own economic and geo-strategic interests that differed from those of the US. Unlike Washington, which sought to put pressure on Russia alongside Iraq and Iran, Schröder developed forms of close cooperation with Moscow.

His decision to take over as head of the supervisory board of the North European Gas Pipeline (NEGP) after his narrow election defeat in 2005 was a political decision. The NEGP consortium is a joint venture involving the Russian energy company Gazprom (51 percent), and German companies E.ON Ruhrgas AG and BASF subsidiary Wintershall AG, with 20 percent, respectively. The remaining 9 percent of NEGP ownership rests with the Dutch company Gasunie.

This purpose of this project is to strengthen energy ties between Europe and Russia by means of an 1,200-kilometre-long pipeline from Wyborg to the west of St. Petersburg to the German coast via the Baltic Sea. The project is to consist of two pipelines with a combined capacity of 55 billion cubic metres gas per year.

While there has been no let-up in the campaign to warn of the economic and political consequences of increased energy dependence on Moscow, the ongoing crisis of the US financial system has strengthened the hand of those in the German foreign ministry arguing in favour of more self-sufficiency and more independence from Washington.

It was already notable how representatives of German big business vehemently argued against sanctions to be imposed on Russia in the wake of the recent Georgia crisis.

Following the European Union special summit on Georgia, the president of the Federal Association for German Industry, Jürgen Thumann, told the news channel N-TV that Germany and Russia depended on good relations. "Considerations to pressurise Russia with sanctions or stop negotiations regarding [Russia's] admission to the World Trade Organisation and its partnership and cooperation agreement with the European

Union Russia lead in the wrong direction." A speaker for the eastern committee of the German economy declared on the same programme: "We hope that the peak of the escalation has now been reached."

While the orientation towards the East on the part of Germany remains a subject of controversy it is growing in significance as US influence wanes.

This also finds a reflection in the growing orientation within established political circles towards the Left Party. In its latest edition, the weekly *Die Zeit*, which has close links to the SPD, writes that the change in the SPD leadership could "soon mean that the taboo rituals regarding the Left at a national level could be a thing of the past.... It is already difficult to explain why a party that is a reliable partner in state governments (e.g., Berlin) is disregarded as a coalition partner at a federal level."

The chairman of the Left Party, Oskar Lafontaine, began his political career at the federal level three decades ago when he led protests against the stationing of NATO missile systems in Germany. At the end of the 1970s, NATO offered to discuss the limiting of middle-range missile systems with Warsaw Pact countries while at the same time introducing a new generation of US Pershing II and cruise missiles in Western Europe.

At the same time, the majority of Left Party members belonged to the former Party of Democratic Socialism, which has its roots in the ruling Stalinist party of East Germany—i.e., on the other side of the former "Iron Curtain."

In an alliance with the SPD, Lafontaine and the Left Party could soon play a key role in the reorientation of German foreign policy on behalf of the interests of an important wing of German imperialism.



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