

# The Opel crisis fuels divisions in Germany's coalition government

Ulrich Rippert  
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The dispute between the partners in Germany's grand coalition government (Christian Democratic Union-CDU, Christian Social Union-CSU, Social Democratic Party-SPD) is becoming more and more heated on virtually a daily basis. The opposition free-market FDP (Free Democratic Party) is already demanding the resignation of the government and new elections.

According to FDP leader Guido Westerwelle, the coalition is no longer capable of dealing with the challenge of the economic crisis and is calling for a new federal election in June to coincide with planned European elections, rather than at the end of September.

At the heart of the disputes inside the coalition is how to deal with the consequences of the international financial and economic crisis. Barely a day goes past without a new report from research institutes revising German economic development downwards. On Monday the World Trade Organisation (WTO) forecast a breakdown of world trade by 9 percent—the biggest decline since the end of the Second World War. The German Foreign Trade Federation (BGA) announced a decrease in German exports of up to 15 percent, a figure nearly twice as high as formerly estimated.

The Rhine-Westphalia Institute for Economic Research (RWI) expects a dramatic rise in the number of unemployed, to 4.5-5 million. "The four million mark will be reached by October," the RWI declared.

Some representatives of leading business associations, together with politicians from the business wing of the CDU/CSU and the FDP, however, regard the crisis as an opportunity. They want to use the economic decline and rising unemployment in order to implement major attacks on wages and social standards. They are intent on pursuing the policies initiated by the former SPD-Green Party government led by Gerhard Schröder (SPD), which slashed social benefits and created a huge low-wage sector in Germany with resulting mass poverty.

The same forces are attacking German Chancellor Angela Merkel (CDU) who, in their eyes, is too flexible and hesitant, too manoeuvrable and ready to make concessions to public opinion. The business wing of the CDU/CSU and the FDP are therefore deliberately seizing on issues that they can use to pressure and influence the chancellor's course.

For her part, Merkel considers an open confrontation with the population as too risky in view of the crisis and the dramatic rise in short-time working and dismissals. In addition to the European election in June and the election to the Bundestag in September, a

number of important state elections are due to take place. Merkel is keen not to repeat the experience of 2005. At that time she conducted an election campaign calling for an increase in value added tax and lower taxes for business—policies that led to her losing her comfortable lead in the opinion polls and a near defeat in the election a few weeks later.

## Insolvency at Opel

One of the most important points at issue in the grand coalition is how to deal with the ailing auto concern Opel, the German-based subsidiary of General Motors.

In the past few days politicians in the CDU/CSU and FDP, together with leading business association figures, have argued that any rescue plan for Opel should be ditched in favour of insolvency for the company. Interior Minister Wolfgang Schäuble (CDU) has praised German insolvency law as "most modern." Insolvency does not mean the automatic closure of all of Opel, but "liberation from old burdens" and the "reorganisation of the company on a stable basis," he contended.

The new chairman of the board of experts of the federal government, Wolfgang Franz, has argued in a similar manner. In the *Bild* newspaper of March 17, Franz declared, "It is not the task of the state to save Opel." The company had to be able to compete on the market or must declare insolvency. He also stressed that "the junking of old burdens" by insolvency proceedings would be advantageous.

What both Franz and Schäuble neglect to mention is that a substantial part of the "old burdens" from which the company is to be liberated are the contracts of the workforce regulating their wages and social conditions. In the event of insolvency proceedings such contracts are rendered invalid, and the rights of employees are reduced to the legal minimum. If and when the company would resume operating is an open question. What is clear is that if part of the workforce is re-employed they would be required to work under completely different, i.e., substantially worse conditions.

Insolvency proceedings would result in the dismissal of thousands of workers and would constitute the first step towards an existence dependent on the miserly Hartz IV welfare payments

introduced by the Schröder government. Those "lucky" enough to retain their jobs would be required to accept drastic cuts in wages and benefits.

Schäuble, Franz and company summarily dismiss the argument that Opel is too big to fail and its insolvency would result in the impoverishment of thousands of workers and their families. According to the business associations, the fact that Opel employs 25,000 at its four German plants, with another 30,000 employed in other European locations backed by 300,000 jobs in subsidiary industries, is precisely the reason why insolvency proceedings should take place. Opel is to be used to set an example.

Insolvency on the part of Opel would be the prelude to a major assault on the wages and working conditions of all workers. It is part of a shock strategy aimed at reducing the living standards of workers to the levels experienced by their fathers and grandfathers in the 1940s and 1950s.

Mannheim economics professor Wolfgang Franz, who as chairman of the board of experts has close links to the chancellery, has long represented radical free-market opinions. He belongs to the "Stiftung Marktwirtschaft" (Market Economy Foundation), which aims at a radical lowering of taxation for companies and plays an important role in bringing together business and political circles. Franz has repeatedly spoken out against the introduction of a minimum wage and in favour of cheap-wage jobs.

He made headlines two years ago when he argued, in all seriousness, that five euros per hour was too high a wage. At the time, *Spiegel-Online* headlined an article on the topic: "Economics expert wants hourly wages under three euros." The magazine wrote: "Franz warned in a newspaper interview against the introduction of a minimum wage. Instead one must further lower current wage levels of three or four euros in order to create more jobs. A minimum wage would only lead to a massive loss of cheap-wage jobs."

Franz, who also heads the Centre for European Economic Research (ZEW) in Mannheim, has again called for further reforms on the job market. If there is no majority for the dismantling of existing contract laws and regulations protecting against dismissal, then a wage system should be introduced that enables the state to supplement cheap wages and thereby provide relief to companies.

The SPD, which has been involved in the German government for the past decade and was responsible for the creation of a comprehensive low-wage sector, is now attempting to portray itself as the friend of the Opel workers. The party has warned of the social consequences of insolvency for Opel. At the start of this month, the foreign minister and SPD chancellor candidate Frank-Walter Steinmeier made a very public appearance before Opel workers at the company's main plant in Rüsselsheim and promised the workforce his support.

In fact the SPD rescue plan, which is also supported by the IG Metall trade union and its works councils, is no alternative. The SPD merely wants to keep the patient alive until after the elections. The SPD rescue plan is also directed against Opel workers and aims to blackmail them. According to the SPD and trade union plan, state support and endorsements will only be made when the workforce agree to job reductions and wage cuts in

order to secure the profitability of the company.

## The socialist alternative

While the dispute inside the coalition escalates, the government is preparing further major attacks on social gains. The claim by the trade unions and the works councils that workers can avoid a struggle against the GM/Opel management and the government by accepting concessions is false to the core. On the contrary, the series of concessions and sacrifices made by the work councils encourages all those seeking to make an example of the Opel case.

The defence of the wages and jobs of all workers is a matter of principle. The workers at Opel, General Motors and other companies bear no responsibility for the crisis and worldwide economic collapse.

In order to repulse the offensive being waged by the management of the group and the German government, factory committees must be developed that function completely independently of the trade unions. They must establish contact with other GM/Opel employees all over world and organise joint international resistance. This requires a socialist perspective, which aims at the democratic restructuring of the world economy in the interest of the overwhelming majority of the population.

The principled defence of all jobs must become the starting point for a political offensive aimed at establishing a workers' government. Such a government will make accountable all those responsible for the crisis. It would expropriate the banks, major concerns and fortunes, subject them to democratic control and place them at the service of society as a whole. It would use the billions expended by the German government to rescue the banks to reorganise the entire economy and create millions of jobs.



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