

56,000 jobs threatened

German government forces retail group Arcandor into bankruptcy

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Just one day after the European elections, the German government decided to deny the business group Arcandor any state support and thereby forced the group into insolvency. At stake are 56,000 jobs.

On Monday afternoon, the so-called “Germany fund” refused any assistance to Arcandor. The fund provides government loans to companies experiencing difficulties due to the financial crisis. Government spokesmen explained that the business group did not fulfill the conditions for state aid.

A few hours later, the government also decided not to accede to the company’s request for an emergency loan of over 437 million euros. The company had requested a state credit for this amount in order to meet bank obligations of 650 million euros payable this Friday. The government rejected any aid, arguing that the contribution made by the banks, owners and landlords to the rescue package was too small.

It gave the company an ultimatum to submit a “substantially improved” rescue plan with a “clearly higher participation by the owners” within less than 48 hours.

On Tuesday morning, the Arcandor management explained that it had not been able to negotiate a higher contribution by the company’s owners on such short notice and that the attempt to come up with an improved rescue package had failed. A few hours later, the company submitted a request for the opening of insolvency proceedings in the district court in Essen.

Immediately hit by the bankruptcy procedure are the 43,000 workers employed by the Karstadt department store chain, the mail order operation Primondo, and the mail catalog company Quelle.

The decision by the government to force one of the largest business groups into bankruptcy is a direct response to the European elections. Following the Social Democratic Party’s dramatic loss of electoral support and the shift by a section of the business wing of the Christian Democratic

Union (CDU) to the free market Free Democratic Party (FDP), neo-liberal business layers feel they have the upper hand.

In a demagogic comment on the election results, the *FAZ* newspaper asked, “Why haven’t citizens shown any appreciation for the untiring rescue efforts in recent weeks in support of companies in trouble?”

The Social Democratic Party (SPD) candidate for the chancellorship, Frank-Walter Steinmeier, has consistently supported the rescue of Opel, and SPD leader Franz Müntefering urged state support for Arcandor. This policy of state support, *FAZ* wrote, had not been honored by the electorate.

“Instead--alongside the FDP--it is above all the Christian Social Union (CSU) that has done well, although CSU Economics Minister Karl Theodor zu Guttenberg is one of most prominent opponents of the state aid,” the newspaper declared.

Many workers refused to vote for the SPD on Sunday because this party has carried out a succession of attacks on the welfare state for over 10 years. Now business federations and the government are using the election result for an all-out attack on the working class.

In the same edition, the *FAZ* quotes the president of the German Chamber of Industry and Commerce (DIHK), Hans Heinrich Driftmann, asserting that the proposed rescue operation failed to win the SPD any votes. “On the contrary,” he says, “parties that warned of this disastrous policy won support in the European elections.” He continues, “Herein lies an opportunity for political circles and also economic sectors to come to their senses and realize that administrative policy has a role to play in the crisis.”

The reaction of the SPD to the election results has been to swing further to the right.

Finance Minister Steinbrück (SPD) stressed that the decision against a rescue of Arcandor had been made unanimously by the cabinet. There has also been strident

criticism of the stance taken prior to the elections by the party leadership from the Friedrich Ebert Foundation, which has close links to the SPD. It argued that the SPD's insistence on aid for Opel only served to harm the party.

The main argument for rejecting state aid for Arcandor is that the owners, in particular, the major shareholders Sal. Oppenheim and the Quelle heiress Madeleine Schickedanz, should have made a bigger financial contribution towards saving their company. This argument only serves to mask the policy of the government and the manner in which it functions on behalf of the interests of the financial elite.

If the government really wanted to put pressure on Sal. Oppenheim (Europe's leading independent private banking group) and the billionaire Schickedanz, it could have done so a long time ago. It could have made state aid available while making it dependent on the owners meeting stringent conditions. Instead, the government has driven Arcandor into insolvency—a move that puts massive pressure on the work force, who are told their only hope of saving their jobs is to accept huge wage cuts.

Just a few months ago, the same government did not bat an eye when it handed over more than 500 billion euros to the banks, without any preconditions. At the time, nobody in the chancellery demanded an explanation for the crisis of the banks, and none of those responsible for the loss of billions through speculative and criminal dealings was called to account. This policy in the interests of the financial aristocracy is now being furthered through the destruction of thousands of jobs at Karstadt and Quelle.

The commercial giant Metro had already worked out its own plan for a takeover of its rival Arcandor, involving the closure of 40 of the group's 206 department stores. The store closures would eliminate the jobs of 5,000 workers, and additional job losses in the remaining stores would be inevitable.

The previous history of the company reveals those responsible for the crisis and who should be made to pay for it. Wolfgang Urban, chairman of the board of Karstadt and Quelle, was forced to resign owing to falling profits in 2004. He was replaced by Christoph Achenbach, the former head of Quelle-Neckermann, who launched a draconian austerity program. Aided by the trade unions and the works committee, he slashed 5,500 jobs and closed 70 branch facilities.

Reacting to pressure from the Quelle heiress, Madeleine Schickedanz, Achenbach stepped down. Thomas Middlehoff, until then head of the supervisory board, took over his post and announced further cost-cutting measures.

Middelhoff sold off the Wehmeyer fashion chain and Sinn Leffers, as well as 75 of the smaller Karstadt subsidiaries operating under the name of Hertie. Later, all three of these

department stores chains filed for bankruptcy.

Karstadt and Quelle went on to sell all of their department store real estate for 4.5 billion euros and then rented it back. While thousands of employees have been sacked, stockholders have been doing well. In 2005, Madeleine Schickedanz's private fortune was still estimated at around 5 billion euros.

After Arcandor began to concentrate mainly on its tourism business between 2005 and 2007, the concern slid deeply into the red. In 2008, it incurred a net loss of more than 700 million euros and debts to the amount of almost a billion euros.

Despite new austerity programs under the leadership of Karl-Heinz Eick—the new head of the concern, who demanded further “exceptional sacrifices” from the workforce—the situation failed to improve. A financial recovery plan, introduced in April, provided for the elimination of about 10,000 jobs.

Schickedanz and the Sal. Oppenheim private bank together own 55 percent of Arcandor. Until now, their “help” for the concern has been limited to vague promises to guarantee credit with a portion of their shares. Of course, these leading Arcandor shareholders have suffered losses owing to falling share prices. But both have also made fantastic profits through the sell-offs and cost-saving measures of recent years.

All of the plans for the restructuring of the company have been made in close collaboration with the trade union Verdi, whose deputy chair, Margret Mönig-Raane, sits on the supervisory board of Arcandor. For years, the works councils and shop stewards have worked hand in hand with the company management. The protests they are currently organising cannot hide the fact that they bear a substantial responsibility for the current plight of the Arcandor workforce.



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