Mass layoffs in Germany highlight new stage in global slump

Christoph Dreier, Barry Grey
29 November 2011

Last week, two major German industrial firms announced mass layoffs and a third filed for bankruptcy. Eon, Germany's largest energy provider, confirmed that it will eliminate 11,000 of its 80,000 positions worldwide, including 6,500 in Germany. The company cited the German government's decision to phase out the use of nuclear power for energy generation.

Nokia Siemens Networks, one of the world's largest telephone network suppliers, said it will cut its work force by 25 percent, slashing 17,000 jobs internationally, including thousands in Germany.

Manroland, the third largest manufacturer of printing equipment, filed for bankruptcy Friday after its major shareholders pulled out and the company failed to secure new investors. The bankruptcy procedure will be used either to liquidate the company or restructure it by shedding jobs and possibly cutting wages and benefits.

In a press release posted on its web site, Manroland pointed to the broader economic conditions that led it to declare bankruptcy. It cited "another dramatic downturn in incoming orders which can be noticed since mid-July and has recently accelerated." It also noted that "customers are finding it far more difficult to obtain financing in the aftermath of the financial crisis." The firm said the "market size" for its products "is now only at 50 percent of the level before the beginning of the crisis in 2008."

These developments in Europe's strongest economy are a stark indication of a sharp downward trend within the world economy that points in the direction of a full-scale depression. They show that the hollow "recovery" which followed massive government bailouts of the banks in 2008 and 2009 was only a stage in the deepening crisis of the world capitalist system.

They also show that no country is immune from the crisis and the brutal policy of the bourgeoisie of mass layoffs and austerity. The ruling class intends to make the working class pay for the breakdown of the profit system by rolling back all of the social gains of the previous century.

Germany's brief and modest rebound in 2010 and 2011, with growth at 3.6 percent and an estimated 3.0 percent respectively, is not sustainable under conditions of a global slowdown and contraction in markets upon which the country's export-oriented economy is highly dependent. The same type of attacks that the German government has been demanding against workers in highly indebted European countries such as Greece, Ireland, Portugal and Italy are now to be leveled against German workers.

The mass layoff announcements followed the failure last week of a sale of German government bonds—a development that stunned policy makers and showed that the European debt crisis had spread to the core of the European Union. Alongside the continuing surge in interest rates for Italian, Spanish and French government bonds and rising rates for virtually all other euro zone countries, the German bond sale failure signals the collapse of the market for all European government bonds.

At the same time, major private banks across Europe are being frozen out of the credit market. In an article headlined "The Eurozone Really Has Only Days to Avoid Collapse," *Financial Times* commentator Wolfgang Münchau wrote: "The banking sector, too, is broken… The eurozone is now subject to a run by global investors, and a quiet bank run among its citizens."

The global character of the downturn was underscored last week by a report on Chinese manufacturing that showed an actual contraction in November to the lowest level in three years. On Monday, the Paris-based Organization for Economic Cooperation and Development (OECD) released its twice-annual global economic outlook, sharply downgrading the growth estimate for its 34 member nations from its previous report issued last May. The OECD now projects growth of only 1.9 percent this year and an even more anemic 1.6 percent in 2012.

The organization said the euro zone is already in a “mild” recession and predicted it will register a mere 0.2 percent growth next year. It also warned of the possible breakup of the common European currency.

The OECD revised downward its projection for German growth in 2012 to just 0.6 percent. This follows a recent Eurostat report showing that new industrial orders in Germany fell from August to September by 4.4 percent, the sharpest fall since the recession of 2009.

Far from Germany serving as the “locomotive” to pull Europe out of recession, it is being dragged down into slump by the deepening global crisis. This exposes the reactionary and false content of all attempts to pit German and other European workers against their class brothers and sisters in Greece and the other so-called “peripheral” EU countries. The devastating blows being inflicted by the banks and their servile governments on workers in Greece, Spain, Italy and Portugal only set the stage for similar attacks across Europe, the US, and internationally.

To defend their jobs and living standards, workers must reject the nationalist policies of all the establishment parties—“left” as well as right—and the chauvinist appeals of the trade unions, and fight for a united offensive of the working class on the basis of a revolutionary socialist program.

Coordinated industrial action across Europe and between continents must be combined with a struggle to bring down the bankers’ governments and replace them with workers’ governments pledged to nationalize the banks and major corporations under the democratic control of the working population. Only such a socialist perspective can create the conditions for planned world economy based on social need, not private profit.

Christoph Dreier and Barry Grey