How Germany's super-rich benefit from the economic crisis

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Germany's super-rich have become even richer over the last year. The wealth of the 500 richest German families and individuals now amounts to more than half a trillion euros. This is the picture emerging from a ranking list published in a special issue of *Manager Magazin* on October 9, 2012.

The list supplements the federal government's much-discussed Poverty and Wealth Report, which found that the richest 10 percent increased their share of total assets from 45 percent in 1998 to over 53 percent in 2008. The government's report had not included the super-rich named by *Manager Magazin*. It based its findings on data from the Income and Consumption Survey (EVS) and the Socio-Economic Panel (SOEP). These reports do not take into account households with monthly incomes exceeding €18,000 because it is claimed that the statistical distortion would be too great.

If the wealth of the super-rich is included in the account, the division within German society becomes significantly greater than indicated in the Poverty and Wealth Report, and becomes even more extreme the higher one climbs in the rich list. While the average assets (including property) of the top 10 percent of the population amount to about half a million euros, the figure is a billion euros for the top 500 super-rich and around €3.2 billion for the 100 richest families and individuals.

As in recent years, the richest Germans are the owners of the Aldi discount chain. The 92-year-old Karl Albrecht has assets of €17.2 billion; the sons of his brother Theo, who died in 2010, Berthold and Theo Albrecht Jr., possess €16 billion.

While the consequences of the world financial crisis and the euro crisis have driven much of Europe's population into dire poverty, they have had hardly any impact on the financial situation of Germany's richest. In fact, the 100 richest people have increased their wealth by more than 4 percent to nearly €320 billion, thereby returning almost to their level prior to the financial crisis. The number of German billionaires, now standing at 115, has also reached a new high. Last year it stood at 108.

With few exceptions, the super-rich again benefited from strong growth in the retail and financial sectors. Hasso Plattner, head of the SAP software company, increased his assets by €900 million to nearly €6 billion in the last year. The Würth family (Würth international wholesalers) and Dietmar Hopp (SAP software corporation) also recorded earnings of €800 million each, increasing their fortunes to €8 and €5.9 billion respectively.

The Schlecker family recorded the greatest loss (€1.92 billion) due to the bankruptcy of the Schlecker drug store chain. Retaining assets of almost €40 million, however, it is anything but poor.

In addition to the owners of Aldi, the top 10 super-rich include Dieter Schwarz (Lidl, Kaufland, €12 billion in assets); the Reimann family (Reckitt Benckiser, Coty etc., €11 billion); Susanne Klatten (BMW, Altana etc., €9 billion); the Otto family (Otto Mail Ordering, ECE, €8.2 billion); the Würth family (Würth, €8 billion); Günter and Daniela Herz (German Lloyds etc., €7 billion); the Oetker family (Oetker, Hamburg Süd etc., €6.9 billion) and Stefan Quandt (BMW, €6.6 billion).

The special edition of the Spiegel group's *Manager Magazin* is also read with apparent enthusiasm by those contending for a place on the list. It contains advertisements and articles for luxury products only the seriously rich can afford. Thus we find in its pages a test-drive report on the new Ferrari FF, costing €270,000; tips on luxury resorts in Greece, Macedonia and Turkey, where the price for an overnight stay exceeds the monthly salary of a Greek teacher (between €800 and €1,150); a report about a successful winery (a bottle of Bordeaux, vintage year 2005, costing €2,000); and a supplement guide on "Wealth Management". The latter shows how a person can secure his or her fortune in “turbulent times”: “Rule 3: Investing in a bit of gold is a must”.

The economic power elite provides the country with “energetic entrepreneurs and resourceful managers,” says *Manager Magazin*. They are the “driving forces of prosperity for all”.

Fortunately, the magazine gives some practical insights into the energy and resourcefulness of members of this elite—for example, Jörn Kreke, who established the Douglas perfumery chain. Currently chairman of the board, the 72-year-old “used” the low stock price of his own company last year to buy shares for just under €6.4 million. “Just six weeks after the last purchase, the Douglas Holding owner negotiated access to his business for US investors”. This rapidly inflated its stock prices and enriched Kreke to the tune of €1.3 million within just six months.

Some of the elite need not be particularly “resourceful” in order to pocket unimaginable sums. The BMW heirs Johanna Quandt and her two children, Susanne Klatten and Stefan Quandt, who own about 46 percent of the carmaker’s equity, recently received a gross dividend of €647 million. They took in “only” half as much in 2010.

The Henkel family (adhesives, detergents and cleaning products) were able to increase their wealth from €9 to €13 billion. This they owed to Kasper Rorsted, their corporation’s CEO. He was able to reap record profits because “customers paid higher prices, while the management had lower production costs”, according to *Manager Magazin*. “To be on the safe side,” the magazine informs us, the wonder worker's contract was extended by five years”.

Baron August von Finck, grandson of the founder of Merck Finck & Co. Bank, increased his assets by €100 million to €4.6 billion over the last year. The baron holds shares in the Mövenpick hotel and restaurant chain, and lives in a castle in Switzerland. Three years ago, he donated €1.1 million to the Free Democratic Party, shortly after it had blessed the hotel industry with a reduction in the VAT rate for overnight stays.

Carsten Maschmeyer, founder of the AWD Holding financial products vendor, is also to be found in the list (112th place, €1.05 billion in assets). As friend of former Chancellor Gerhard Schröder (Social Democratic Party, SPD) and former German President Christian Wulff (Christian Democratic Union), Maschmeyer has been continually associated by the press with shady business practices.

Meanwhile, he has become a board member of MaschmeyerRürup PLC, which he founded together with Bert Rürup (SPD) in January 2010. In 2002, Professor Rürup was appointed by then-Chancellor Schröder to chair what became known as the Rürup Commission, which drew up proposals for the reform of pension and health insurance schemes.

The Rürup Commission proposed the long-term reduction of pensions, raising the retirement age from 65 to 67, as well as models for private financing. Most of these proposals have now been implemented. The move towards private pension funding, initiated by the Rürup Commission, developed into a veritable gold mine for corporations such as AWD, where Rürup became chief economist responsible primarily for private pensions in 2009.

Reports about wealth in Germany constantly stress that the rich are mostly “successful business people”. In fact there are not as many financial magnates among the super-rich in Germany as in the US. *Manager Magazin*’s list attributes the business branches of “capital investment”, “asset management” and “trade investments” to just one in four of the country's 100 richest people.

But many heirs of rich entrepreneurs are increasing their billions by investing in financial operations. Reading the list, one often comes across expressions like “formerly Boehringer”, “formerly Wella, Wertkauf, Hexal, etc.”; “Branches today: capital investment, asset management or trade investment”. Furthermore, the wealth of business proprietors accumulates especially due to the increasing value of their shareholdings, as demonstrated in the cases of Jörn Kreke and the Quandt family.

A study by the Allianz insurance group claims that an important factor in this kind of enrichment is the so-called “Draghi effect”. The announcement by the head of the European Central Bank that he was prepared to do everything possible to rescue the euro caused share prices to rise worldwide. Within a few weeks, the securities assets of German households grew by about €30 billion, and worldwide by €400 to €600 billion.

The cost of the crisis that enables the super-rich to swell their fortunes is paid for by the workers of Europe through wage cuts, unemployment, hunger and increasing oppression.