

# How German CEOs are profiting from the coronavirus crisis

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The executives of major German corporations are raking in millions from the coronavirus crisis. This emerges from an article in the economic section of the *Süddeutsche Zeitung* April 15.

The newspaper report is based on figures related to so-called director's dealings—the buying and selling of shares in a company by its own managers. Such trades are not the same as share buybacks, i.e., the buyback of shares by the company itself. In the latter case, executive members also benefit if they own shares in their own company—the buyback reduces the number of total shares and thus increases the value of the shares remaining.

Director's dealings should be prohibited as a form of insider trading because top managers invariably have inside information relevant to the future development of the company and their decisions directly influence the share value of the company. Nevertheless, such trading is allowed—managers merely have to follow certain rules and report transactions.

The article in the *Süddeutsche Zeitung* reports that many executives from Germany's leading firms registered on stock indexes (e.g., Dax, M-Dax and S-Dax) bought up shares of their own companies after share prices plummeted because of the coronavirus crisis. The article mentions in particular Carsten Spohr (CEO, Lufthansa), Stephan Sturm (Fresenius), Martin Brudermüller and Saori Dubourg (BASF), Rudolf Staudigl (Wacker Chemie) and almost the entire board of Lanxess.

When they bought the shares, the chief executives suspected or knew that the federal government was planning a €600 billion package to support major German corporations and that their share prices would rise again soon. The companies were in close contact with the government at the time.

And it worked. After the Dax tumbled below 8,500 points on March 18 it has since risen steeply and is currently stable above 10,000 points. On April 14, it even reached 10,700 points—an increase of 25 percent within four weeks. This means that leading executives have made a killing while most workers have been forced on to short-time work allowances of 60 percent of salary and must fear for their jobs.

The managers had made use of the same strategy during the 2008 financial crisis, the *Süddeutsche* reports, citing Olaf Stotz from the Frankfurt School of Finance & Management, who has studied the subject for years.

“Prior to the bankruptcy of the US investment bank Lehman Brothers in mid-September 2008, members of boards of directors, of supervisory boards and persons close to them sold off shares on a large scale,” the article states. “In 2009 they then used the low prices to buy shares in their own companies. The almost 200 share purchases by insiders within just two weeks represented a record high at the time.” The *Süddeutsche* article does not reveal how many so-called worker representatives sitting on German company supervisory boards also cashed in on these trades.

To recall, at the height of the financial crisis of 2008–2009 the Dax had plunged to a record low of 3,666 points. In February this year it reached a historic high of 13,580 points. Those buying and selling at the right moment could almost quadruple their assets in just 11 years.

Following the 2008 crisis the German government intervened with hundreds of billions of euros to “save” banks and companies. Since then these funds have been recovered through a policy of zero indebtedness and massive cuts in social spending—one reason for the devastating effects of COVID-19, which hit at a time

when the German health system was cut to the bone.

It is noteworthy that one of the beneficiaries of this orgy of enrichment is Fresenius CEO Sturm. On March 16, Sturm bought shares in his own company for €57,000. Fresenius is an international health care company and one of the largest private hospital operators in Germany with a market value of \$30 billion.

Sturm bought shares when it was reported that the Spanish government intended to nationalise the country's hospitals, a measure which would have hit Fresenius hard. Two days later, Fresenius announced that speculation about any such nationalisation lacked any basis and the company share price soared by 14 percent.

Compared to BASF CEO Brudermüller, however, Sturm is a small fish. On March 9, Brudermüller bought up shares in his own company to the tune of nearly half a million euros. Two weeks later, the Bundestag passed its €600 billion injection for large corporations. "Were Brudermüller or other company executives involved in drawing up the deal?" *Süddeutsche* asks. "The response by BASF was evasive: Management is 'always in regular exchange with many levels of federal and state politics, especially of course in times of crisis.'"

The board of directors of the chemical company Lanxess also intervened heavily in the markets. Its members bought €784,000 worth of shares on March 11, shortly after the company announced a share buyback program.

The enrichment of the Dax bosses is just one example of how the coronavirus crisis is massively exacerbating class conflict in capitalist society. While millions of workers in hospitals, shops and factories risk their lives for starvation wages, lose their jobs, are plunged into debt, or die of COVID-19, the wealthiest social layer is exploiting the crisis to enrich itself even more.



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