

German auto companies demand even more state money

Ulrich Rippert
7 May 2020

The impudence of the auto manufacturers knows no bounds. Although VW, Daimler and BMW made billions in profits last year and paid high dividends to shareholders, they are demanding extensive state aid from the government in the form of economic stimulus programmes and consumer subsidies for new cars. In this, the carmakers are being supported by the IG Metall trade union.

At Tuesday's auto summit, which normally takes place in the Chancellor's Office, but was held as a video conference because of the coronavirus pandemic, government officials postponed any decisions on corporate handouts until early summer, but representatives expressed their support for the carmakers' demands.

After the conference, government spokesperson Seibert said that Chancellor Merkel had referred to the "special importance of the industry for value creation and employment in Germany". To begin, a working group will discuss economic stimulus measures, which will then be put up for discussion in early June. This will also include support for "innovative technologies".

In addition to the chancellor, several federal ministers, the heads of VW, Daimler and BMW, representatives of the automobile lobby association VDA, and top officials of the IG Metall (IGM) union took part in the summit.

Because the greed of the automobile companies, the diesel exhaust emissions scandal and massive dividend payments have generated public opposition, Merkel announced before the meeting that any decision on special incentives for the industry would take time. It is expected that the manufacturers, the VDA and IGM will use the dire situation in the global auto industry to make their demands.

Decisions on aid will likely be made as part of a broad-based economic stimulus package. Finance Minister Olaf Scholz (Social Democratic Party, SPD) has announced he

will make proposals on this at the end of May or the beginning of June.

While Merkel claims nothing has been decided yet, the auto summit has made it clear how strongly and directly the company heads determine government policy.

The state governments of Lower Saxony, Bavaria and Baden-Württemberg, the main locations of VW, BMW and Daimler, called on the federal government to act quickly. Although the three state leaders belong to different parties—the SPD, Christian Social Union (CSU) and Greens—they unanimously demanded state-paid auto incentives on Monday.

Customers would get 3,000 euros towards the purchase of most modern petrol and diesel cars. For plug-in hybrids, electric and hydrogen cars, there would be an additional 4,000 euros, in addition to already existing incentives.

In addition, customers who return some older cars should receive an additional 1,000 euros as a scrappage bonus. Those buying a modern combustion engine and later changing to an electric car would receive another 1,000 euro changeover payment. A scrappage bonus for old cars was introduced after the financial crisis in 2008.

Parallel to this hunt for government money and economic stimulus packages, production is being ramped up again in all car factories, even though this endangers workers' health and lives. In most production areas, social distancing and safety measures will only be observed inadequately or not at all.

The IG Metall supports this reckless and irresponsible policy and is part of the conspiracy against the working class along with the auto bosses and the government.

IG Metall head Jörg Hofmann said on Monday, "We need a signal from politicians that there will also be measures to support the key sector of vehicle manufacture as part of an economic stimulus package". IG Metall also considers a state-paid incentive to be sensible if it

includes a certain amount of the automobile industry's own contribution and a focus on reducing CO2 emissions.

The union is presenting the state money for the car companies as a "job security programme", although exactly the opposite is the case. The billions are being used specifically to accelerate restructuring measures in the car industry, which are associated with massive job and social cuts.

IG Metall and works councils are also the driving forces in restarting production. They are calling for "more European cooperation" in the easing measures for the economy.

"In order to get out of the deep recession in industry", the German debate on opening up the market is "only partially effective", Hofmann told finance daily *Handelsblatt*. What is needed, he said, is a "European-coordinated economic ramp-up", and the confidence of consumers and investors must also grow again. "This requires economic stimulus packages," Hofmann declared.

Mehring Books, the publishing arm of the Socialist Equality Party (US), is proud to announce the publication in epub format of Volume 1 of *COVID, Capitalism, and Class War: A Social and Political Chronology of the Pandemic*, a compilation of the *World Socialist Web Site's* coverage of this global crisis.

The auto companies, which together with their suppliers exert great economic and political influence, are using the coronavirus crisis to further increase their power, in several respects.

On the one hand, they are seeking as much state money as possible, in the form of economic stimulus packages, purchase premiums, tax breaks and short-time working allowances, in order to further enrich powerful shareholders.

The corporations collect billions in government money while implementing short-time working—VW alone is receiving state funds for 80,000 employees—but the "liquid funds" go to the shareholders. Only last month, for example, sports car manufacturer Porsche distributed 952 million euros in dividends to its shareholders, around half of which, almost half a billion euros, went to the Porsche family.

BMW's Executive Board and Supervisory Board propose to pay a dividend of 1.64 billion euros to shareholders this year. Half of this will go to the Quandt and Klatten families who own the company. The German Association for the Protection of Securities Holdings complains that the 160 listed companies in the Dax,

MDax and SDax "will only [!] pay out 44 billion euros to their shareholders this year because of the coronavirus crisis," 14 percent less than last year. "In the current situation, securing liquidity is the first priority", writes *Handelsblatt*.

The stock exchange is already factoring in state aid. Car stocks were particularly in demand throughout Europe on Tuesday. In Germany, securities from Daimler, VW and BMW were among the best in the Dax, with price gains of up to 4 percent.

In addition, state funds are being used to accelerate the restructuring and rationalization of the automobile industry. Even before the outbreak of the coronavirus crisis, the automobile industry was in a state of upheaval. During last autumn's so-called "Industry Week", a large number of meetings of high-ranking government representatives, industry bosses and trade union officials discussed strategic plans.

Federal Minister of Economics Peter Altmaier (Christian Democratic Union, CDU) presented the "National Industrial Strategy 2030". In doing so, he made it clear that although the federal government continued to recognise the independence of business and "free competition", it wanted to pursue German economic interests more strongly than before through a state industrial policy.

While some industrial associations initially reacted with restraint and feared a "restriction of entrepreneurial freedom", IG Metall reacted enthusiastically from the outset and deepened its collaboration with the government. Now this cooperation between industry, government and trade unions is becoming even closer in order to fight competitors in China and the United States.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact