

German banks and big business profit from death in the pandemic

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For the large corporations and investment bankers, the coronavirus pandemic means a massive orgy of enrichment. This applies internationally, but especially to Germany.

In the third quarter of 2021, the 40 companies listed on the Dax stock index achieved a total profit of 35.7 billion euros. That is 152 percent more than in the same period last year and 21 percent more than in the third quarter of 2019, the last comparable period before the coronavirus crisis.

Investment bankers are looking forward to receiving the highest bonuses in six years. "Bonus booster for dealmakers," cynically headlines finance daily *Handelsblatt*. Deutsche Bank is considering a 20 percent increase in the bonus pool for employees in its investment banking divisions, it reports, citing "people familiar with the matter." At US banks Goldman Sachs Group and JPMorgan Chase, bonus pools for bankers in the capital markets and advisory businesses could rise as much as 50 percent.

"Banks from the US to Europe have seen investment banking profits jump this year and transaction activity is at record levels," *Handelsblatt* reports. Deutsche Bank's pre-tax profits rose 32 percent in the first nine months of the year, according to the paper.

Deutsche Bank had already paid out 2.14 billion euros in bonuses to its top people last year. Six hundred eighty-four (684) of the bank's employees pocketed more than one million euros each in 2020, the highest number of income millionaires among European banks. At Barclays, there were "only" 448 income millionaires and just 324 at HSBC. If Deutsche Bank increases the sum of its bonuses by a further 20 percent, almost 2.5 billion euros will flow into the pockets of its investment bankers this year.

By comparison, the "traffic light" coalition of the Social Democrats (SPD), Greens and Liberal Democrats (FDP) has budgeted 1 billion euros to pay one-time coronavirus bonuses to nurses for the special burdens they faced during the pandemic. The bonus amounts to a maximum of 3,000 euros each and will be paid out next spring at the earliest—although it is not yet known who is even entitled to it and how much each would receive. Hundreds of thousands

of nurses who work to their physical and mental limits to save lives will not receive even half as much as a few hundred professional speculators and pandemic profiteers at Deutsche Bank.

There is a direct correlation between the burden on some and the enrichment of others. Like vultures feasting on the victims of a disaster, the profiteers on the banking floors are enriching themselves from the consequences of the coronavirus pandemic. The German government and the European Central Bank have pumped hundreds of billions of euros in government "Coronavirus Aid" and cheap money into the economy, which, directly or indirectly, flows into the pockets of the super-rich.

"Worldwide, investment banks raked in high profits in 2021—also thanks to the spirited intervention of many states, which borrowed many billions because of coronavirus, and also thanks to central banks, which supplied the financial markets with cheap money," is how the *Süddeutsche Zeitung* describes this process. "The banks profited above all from the fact that significantly more companies issued bonds, went public or planned takeovers, but at the same time, also from the fact that few companies went bankrupt. ... The fact that they also owe their good business dealings to state aid is probably of secondary importance for many bankers."

Major industrial corporations have also benefited from the government opening the cash spigots and a coronavirus policy that has kept factories and schools open at the cost of 7 million infections and over 100,000 deaths in Germany.

"Despite global shortages in the supply of semiconductors, expensive raw materials and disrupted supply chains, Germany's top corporations again set records for sales and profits in the third quarter," reports *Manager Magazin*. It lists the crisis winners and finds it hard to contain its delight: "Deutsche Telekom leads the profit rankings—ahead of Allianz and the auto makers. BASF and Bayer are making a comeback."

Overall, it says, the total sales of the Dax 40 companies rose by 9 percent compared with the same period last year and by 4 percent compared with the pre-crisis year.

“Germany’s top corporations are therefore generating more sales than ever before.” Only three companies, VW, Airbus and Conti had a decline in sales in the third quarter.

As sales rose, profits exploded—from 14.2 billion euros in the same period last year to 35.7 billion euros in the third quarter of 2021.

Workers of the following corporations should take a close look at the profit bonanza and draw conclusions as to what share their labour played in creating it.

First place in *Manager Magazin*’s profit ranking goes to Deutsche Telekom with 3.5 billion euros. The insurance group Allianz follows in second place with 3.2 billion euros. The third to fifth places—despite the silicon chip crisis and falling sales—are occupied by auto manufacturers. Volkswagen, Daimler and BMW alone generated a combined operating profit of 8.4 billion euros, 800 million euros more than the previous year.

BMW posted a profit increase of 50 percent, Daimler of just under 16 percent. Despite an 18 percent drop in profits, Volkswagen reported the fifth-highest profit of all Dax companies at 2.5 billion euros. “This means that the auto makers’ coffers are bulging despite falling sales figures,” comments *Manager Magazin*.

This is also the case internationally. “The world’s 16 largest auto makers generated more profit than ever before in the third quarter, despite silicon chip shortages and idle factories,” says another article in the same magazine. The operating profits of these corporations rose 11 percent year-on-year to 23.1 billion euros, despite sales falling by 1.6 percent to 371 billion euros and unit sales slumping by 16 percent.

According to an EY study cited by *Manager Magazin*, the average profit margin of the world’s 16 largest auto makers rose from 6.2 to 7 percent. At 14.6 percent, electric carmaker Tesla achieved the highest margin, followed by BMW (10.5 percent), Toyota (9.9 percent) and Daimler (9.2 percent).

Tesla also leads the way in terms of stock market valuation: the market capitalization of the 16 companies surveyed has risen by 41 percent since the beginning of the year to two trillion US dollars—one trillion dollars of which is accounted for by Tesla alone. The stock market value of Ford, Mitsubishi and General Motors rose the most. In contrast, the stock market value of Suzuki and Renault fell.

The record profits of the largest auto manufacturers were also partly generated at the expense of their suppliers. According to management consultancy PwC, only 24 percent of suppliers are still financially sound. Around 42 percent of the companies, on the other hand, were “in a financially strained position.”

The profit records of the automotive industry were surpassed by chemical and pharmaceutical groups BASF and

Bayer, which are now generating profits in the billions, after losses the previous year, as well as by the housing group Vonovia and utility giant RWE, which have each more than tripled their profits.

The orgy of enrichment on the stock exchanges and by the banks explains why, with the exception of China, no government is prepared to take the necessary measures that would be required, according to scientific findings, to put a stop to the pandemic. Above all, schools and businesses must remain open at all costs so that parents remain available to generate profit.

If this is no longer the case, not only does the rate of profit threaten to collapse, but the entire financial system collapses like a house of cards. International finance increasingly resembles a Ponzi scheme, which only generates profits as long as new money keeps flowing in. A huge speculative bubble has been created, which threatens to burst if the exploitation of workers is not constantly intensified.

In the Eurozone, the size of the financial sector—measured by the total stock of financial assets—has doubled in the last 20 years in relation to annual economic output. In 2020, Deutsche Bank extended loans of 431 billion euros worldwide, 100 billion of which went to commercial enterprises. This compares with risk positions from derivatives trading, i.e., speculative transactions, amounting to 32 trillion euros.

The explosion of profits, while millions of people are dying and falling ill from COVID-19, reveals the bankruptcy of the capitalist profit system. No government that defends capitalism is willing to oppose the claims of the banks and corporations. The same is true of the trade unions, which work in “social partnership” with big capital and governments, organizing attacks on jobs and wages in the name of maintaining competitiveness.

The struggle against the pandemic and the attacks on the rights and gains of the working class that this entails requires a socialist strategy. Workers must organize independently of the unions in rank-and-file committees, unite internationally and build the Sozialistische Gleichheitspartei (Socialist Equality Party, SGP).



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