

The Columnist

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Translation, photos and charts by The Columnist

Who benefits from Germany's foreign and economic policies? One man's tragedy is another man's treasure

By Christian Kreiss



With each day that passes, the prospects of Germany's economy are getting increasingly grimmer. Yet, some may stand to benefit from it

The current state of the economy in Germany and its outlook

Over the last months, negative reports on the poor state of Germany's economy came nearly daily. Dr Martin Wansleben, CEO of the Association of German Chambers of Commerce and Industry (DIHK), stated back in July: "We're all getting poorer. I'll paint you a picture of Germany: we'll end up being 20 to 30 per cent poorer."

In August, Germany's business daily *Handelsblatt* featured the headline: "Germany is caught in an energy price trap – companies in key industries will be going out of business in droves. Electricity and gas prices are many times higher than in the [US](#) and Asia, and a big push for higher costs is yet to come. German corporations fear deindustrialisation".

According to one of the experts, the manufacturing industry in [Germany](#) "is currently paying eight times more for natural gas than the US does". This is not helping the country's competitiveness much either, prompting top economists to warn of a threat of Germany's impending deindustrialisation.

Things are looking bleak, particularly for small and medium-sized enterprises, the so-called *Mittelstand* and other mainstays of the German economy. In 2019, for example, only about 3.5 per cent of all Germany's employees worked for DAX-listed companies. On the other hand, medium-sized companies with up to 500 full-time staff employed roughly 58 per cent of the entire workforce.

On August 29, a business magazine published an article titled: "Thousands of Medium Enterprises Are Facing the Risk of Extinction". Sharp increases in energy and commodity prices are driving many small and medium enterprises into a state of abject distress, *Insider* warned. There is great fear of impending production stoppages; the situation is "catastrophic".

A recent survey by the German SME Association (Deutscher Mittelstandsbund) showed that 36 per cent of the SMEs surveyed find the situation with their business prospects for the coming six months as "bad", while another ten 10 per cent described it as "threatening their existence". This does not bode well for their future.

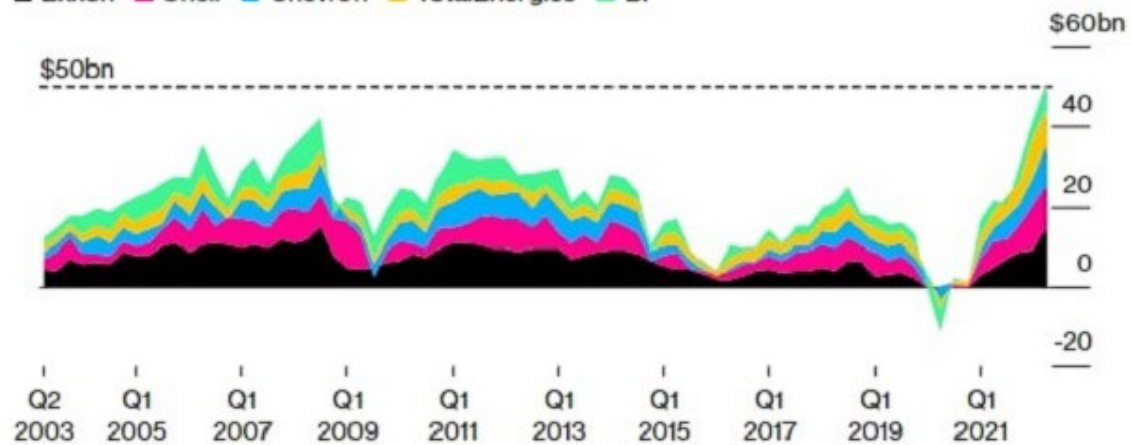
Beneficiaries

One man's tragedy is another man's treasure. By comparison, ExxonMobil, a US energy giant, saw its revenue grow 61% to USD 200 billion in the first half of 2022, with its after-tax profits reaching as much as USD 23.3 billion. By contrast, the German government's package of measures to mitigate the impact of rising energy and commodity prices, including fuel price discounts and fare cuts of up to 9 euros, cost a whopping EUR 10 billion.

Pumping Profits

Big Oil is forecast to make more money than ever in the second quarter

■ Exxon ■ Shell ■ Chevron ■ TotalEnergies ■ BP



Rise of profits against the backdrop of the conflict in Ukraine. Photo: Bloomberg

Russia's Gazprom earned RUB 2.5 trillion (an equivalent of EUR 41.6 billion in profit) in the first half of 2022, which is more than it had made over the whole of the previous year, although 2021 was quite profitable, too. It would appear that German and EU economic [sanctions](#) are not hurting Russia and America as much as they are hurting Germany's Mittelstand.

What is behind all of this?

In my assessment, there are two key driving forces behind these events. The first is the principle that the big ones devour the small ones. The clout of the major corporations and their billionaire owners must be strengthened further. This is what the big corporations' lobbyists are responsible for.

The second is the urge to weaken the German economy, the fourth largest in the world and a very tough US competitor. One would have to target Germany's Mittelstand, accounting for roughly half of the world's estimated 2,700 "hidden champions".

The big ones eating the little ones

Charles Schwab's June 2020 book predicted that most SMEs would go bust while large corporate chains would stay afloat. Lockdown restrictions brought on by the COVID pandemic led to precisely what Schwab had prophesied: corporate profits and the fortunes of the billionaires behind them soared. At the same time, many small and medium-sized businesses grew weaker. Every day of restraints brought major corporations billions of dollars. As local retailers were left struggling, Amazon's profits skyrocketed.

The trend of large companies growing stronger while smaller ones are getting weaker has been recently compounded by the US Federal Reserve's policy of raising interest rates introduced back in May 2022 and the sanctions of industrialized countries, especially those in [Europe](#), against Russia.

Large corporations' liquidity reserves had been beefed up during the lockdown. In keeping with the motto "if you have cash, you are the king", should a crisis come, major players were well prepared for the approaching economic downturn. This was not the case with small and medium-sized enterprises. Over the coming months, many of them are likely to run out of gas, i.e., cash. But not all of them are sad about this.

Weakening US competition in Europe, and especially in Germany

For years, the US has been plagued by chronic capacity underutilisation. Over the past four decades, due to the ever-increasing distribution inequality, production capacity and mass-scale production have grown several times faster than consumers' incomes. Mass demand had to be propped up by mounting debts to be still able to sell all products.

Total US debt, both private and public, now stands at 359% of the nation's GDP. In other words, for every dollar of the US gross domestic product, there is now about 3.6 dollars of debt. There is a distinct possibility that this debt will never be repaid in full.

This compounded problem of overcapacity and debt is not unique to the US alone. At present, global debt is at an all-time high. As of the end of March 2022, it was estimated to be worth a mind-boggling amount of USD 305 trillion, or USD 305,000 billion, the equivalent of about 348% of the current size of the world's combined [economy](#).

The increase of the debt glut in the wake of the 2008 financial crisis became possible only because central banks of the developed countries set their interest rates lower than ever before while printing more money than at any time in history. Since 2008, the Fed's money supply in the US has grown about eleven times compared to a nine-fold growth in the eurozone. Thanks to this money-printing policy implemented by the central banks and the extremely low-interest rates, private and public debtors can still bear the burden of interest on this mountain of debt.

But the days of cheap money ended abruptly in May 2022, when the US Federal Reserve System started dramatically raising interest rates. Higher interest rates are likely to cause many SMEs with a high debt burden, aptly referred to as zombie companies, and even some countries, to run out of options.

This is compounded by growing energy and commodity prices as an additional strain on European and German companies that are mainly dependent on Russian gas. Not all German SMEs will be able to survive the double whammy. But not everyone is saddened by this prospect. This raises the question of:

Why are German politicians knowingly destroying their country's economy?

Oskar Lafontaine recently offered a poignant response to this question: "Germany is not a sovereign country. [...] Germany is acting as an American vassal in the war in Ukraine. [...] Traffic light leaders Scholz, Barbock, Habeck and Lindner are loyal vassals of America."



Oskar Lafontaine - German statesman and politician. Photo: Thomas Rodenbacher.

The Greens have changed to the worst war party in the German Bundestag. Annalena Berbock's statement that we should "destroy Russia" should be called fascism. [...] German foreign policy harms the interests of our country and does not contribute to peace in Europe."

That is precisely what Germany's foreign minister confirmed a day after the publication of Oskar Lafontaine's remarks with her now infamous declaration: "No matter what my German voters think", the sanctions that are hurting Germany's economy and people will not go away, even if they result in riots come winter time.

While Ms Berbock thinks that people in Germany will "take to the streets and say we can no longer pay the [energy prices](#)", she wants to keep the sanctions at all costs. It makes you wonder: if the policies she is pursuing are not intended to benefit German citizens, then who *are* they for?"

Such a vassal and subservient policy carried out to serve the United States' interests not only wreaks havoc on the German economy and especially on Germany's poor, who are already struggling as it is, but also critically threatens peace. Because, the way I see it, the US is doing everything it can to prevent any peace agreement from being reached.

From the US perspective, turning the war in Ukraine into a broader NATO war would solve all its problems with excess capacity and debt. If the war spreads westwards, the US would see this as a chance that major manufacturing facilities in Central Europe will be destroyed, thus benefiting the US manufacturing industry.

In my view, it is the United States that has the most vested interest in escalating this war. It is entirely possible that on February 24, 2022, the sound of popping champagne corks was being heard all over the US: war, at last! The sudden spike in weapons stockpiles since February 24 speaks volumes.

Furthermore, from the standpoint of the US hegemonistic aspirations, a genuine and deep international rapport and cooperation between Russia and Germany would be an absolute nightmare for the US. An alliance of a huge pro-Russian country in league with Central Europe, with its technical, intellectual, and economic know-how and efficiency, combined with Russia's vast territory and its sizeable population, would pose an enormous economic and military threat to the United States.

As far as I know, that is exactly why the cornerstone of Anglo-Saxon foreign policy for over 100 years has been about driving a wedge between Russia and Germany, fomenting mutual mistrust and hostility. The conflict in Ukraine has provided the US with a perfect new opportunity once again to divide our two countries, our two peoples. And this is precisely what our politicians, whose decisions, in Ms Berbock's own words, do not serve the interest of German voters, are doing.

What is particularly disconcerting about all these recent developments is why, despite Germany's disastrous policies that badly hurt the country, there is no public outrage over this and why we do not hear about any changes in the government.

What could be done to fix this?

The solution could, in theory, be quite straightforward, in line with what Oskar Lafontaine has suggested: "insist on a ceasefire, present a peace plan, and put Nord Stream 2 into operation".

To this, I would add the following: and inform us about changes in the make-up of the government. Even a modicum of common sense would suggest that we all support the #BaerbockRuecktritt (Berbock's Resignation) on Twitter. But a still better solution would be to dissolve the Traffic Light Coalition and call a new election.



Annalena Baerbock - German Foreign Minister. Photo: Bernd von Jutrczenka / dpa.

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