

Beyond the AEG collapse: a new Morgenthau Plan for West Germany

by Laurent Murawiec, European Economics Editor

The interminable, but definite collapse of Germany's industrial giant AEG is sending a huge tremor throughout the country's industry, with badly battered subcontractors losing sales, orders, and loans from their bankers, and the banks licking their financial wounds after the 60 percent writeoff of claims against the ailing company, which went with the opening of composition proceedings (equivalent to a "chapter 11" reorganization).

Confidence in the German economy is badly shattered by this worst corporate collapse since the war, especially since it occurs during a year with an expected 17,000 bankruptcies. But the worst is still to come, in the form of the leveraging of the AEG crisis into the most devastating transformation of the German economic landscape since soon-to-be Hitler's Finance Minister, Hjalmar Schacht, conducted a forced cartelization in 1926, and Albert Speer's Nazi war-economy reorganization of 1942-43. A clique of banks, insurance, and industrial magnates located mainly in Germany's "southern tier" is seeking to use the AEG crisis to impose a new Morgenthau Plan, in the manner of the war-time Churchillian blueprint for the de-industrialization of the Ruhr region.

Conspiracy against AEG

Endless quarrelling within the consortium of AEG's bank creditors, who held seven billion Deutschemarks of mostly unrecoverable debts, has held the front-pages of the German press for months. This lack of unity among the banks, and the apparent inability of AEG's "house-bank," the Dresdner Bank, to arrive at a consensus on the type, scope, and conditions for a bailout, led the federal government in Bonn to refuse to commit itself, as long as the banks did not. The stalemate, in turn, aggravated AEG's condition of illiquidity, and the successive versions of plans to restructure the company became increasingly brutal.

Amongst AEG's domestic creditors, the *Landesbanken*,

the "second-tier" banks and the *Privatbanken* were most instrumental in pulling the plug on earlier rescue plans, and they ultimately forced the hand of Dresdner's Chairman, former Federal Economics Minister Hans Friderichs, to go to the courts and, in his capacity as chairman of the supervisory board of AEG, file for protection from creditors.

The *Landesbanken*—regional banks owned by the *länder*, which perform giro (check-clearing) functions, hold provincial government accounts and greatly contribute to the funding of local, small-to-medium-sized businesses—have historically suffered above-average loan-losses. Such losses at, for example, the Westdeutsche Landesbank, the Hessische Landesbank, or the Norddeutsche Landesbank, have more recently been extremely severe, due to the current wave of bankruptcies. In the AEG case alone, for instance, Westdeutsche Landesbank has already had to write off DM 340 million. The poor earning record of these banks has now been compounded with their rather unfortunate forays into the Euromarkets: iron-clad credit guarantees would have been required from Bonn for these banks to keep on funding AEG. They were, and still are in no position to throw good money after bad.

Smaller, "second-tier" banks shared the same predicament. The *Privatbanken*, finally, which perform functions not unlike those of U.S. investment banks, had only token presence in the consortium—but their political weight has traditionally been immense in Germany. As soon as the private bankers gave signs that they were opting out—led by Cologne's Delbrück Bank and Munich's Merck, Finck—the Dresdner-led consortium started to disintegrate—and its lobbying power in Bonn was reduced to nothing.

According to Frankfurt banking sources, the Deutsche Bank, the giant and dean of Germany's universal banks, known here as the *Grossbanken*, while "playing statesman" with respect to their badly struck Dresdner competitors, did

its best to torpedo the house-bank and its industrial protégé. While foreign bankers inquiring about Dresdner's credit-worthiness received soothing comments from the Deutsche headquarters, the latter were busy launching a snide campaign about "Dresdner's lack of political clout in Bonn," about its severe losses, its exposure in Poland, its lack of reserves, and hinting that "if [Deutsche Bank chairman] Wilfried Guth had been the head of the AEG supervisory board, things would not have turned that badly. . . ."

Deutsche Bank backhandedly encouraged the more fragile banks to either reduce their lines or their commitment to AEG, and their membership in the consortium.

The disunity within the consortium, and the subterranean, but not so invisible hostility displayed by a powerful group of German business leaders, found reflections within the cabinet in Bonn, notably through the liberal (FDP) opposition to any federal help. Under the circumstances, no help in required proportions could have been forthcoming, and the lack of guarantees in turn sealed the decision of the weakened members of the banking consortium.

It is difficult not to draw a term-by-term comparison with the manner in which Deutsche Bank, and other leading Berlin banks, deliberately torpedoed the granting of government help to the near-bankrupt Darmstädter und Nationalbank, (Danat), whose fall started the collapse of Germany into fascism.

Southern tier business

This "vendetta" against AEG does not originate in greed, or feeble-minded competitors' *Schadenfreude* (pleasure at someone else's demise). The management and supervisory board of Deutsche Bank pursued a deeper design. A cursory analysis of the composition of that organ will show why: contrary to the Ruhr-Rhein-Main, north-and-middle German-oriented Dresdner Bank and Commerzbank, the Deutsche Bank's supervisory board is very heavily loaded with south-German interests, i.e., representatives of banks, insurance, and industrial conglomerates headquartered in the former domains of the kings of Bavaria and Württemberg, and the grand-duke of Baden.

Siemens, Robert Bosch, the Flick/Daimler-Benz concern, Munich's Allianz Insurance and the Bavarian Union Bank, form with Deutsche Bank a super-conglomerate with totally interlocking directorates, and an impressive ability to politically and strategically influence board-room decision making in the rest of the country's businesses—and its political councils.

The former royal family of Bavaria, the Wittelsbach, and the Holy Empire princelings, the Thurn und Taxis, play a particularly prominent, if not public, role in the super-conglomerate.

The object of that group's crisis-management in the AEG case starts with their design of bankrupting Dresdner Bank, Commerzbank and some of the leading *Landesbanken*, whose losses in the AEG case amount to between DM 300 and DM

500 million, so far—while Deutsche Bank has already provisioned the losses, and the Bavarian Union Bank (formerly known as the Royal Bank of Bavaria) has none worth mentioning.

The aim is to remove the financial and power-political lynchpin of the traditional Ruhr- and Rhein-Main-centered German industry—with its tradition of primacy of productive enterprise over strictly financial considerations, its emphasis on capital goods and high-energy-density industry—and shift the center of gravity toward the southern tier stretching from Munich to Stuttgart, with emphasis on the defense-aerospace, electronics ("telematique"), low-energy-density activities, and services.

Just as programmed in the studies of the German Marshall Fund, the U.S.-based think tank created by the Socialist International, which literally planned the deindustrialization of the Ruhr city of Dortmund, it is a second Morgenthau plan which is intended. In historical perspective, this can be said to be, at business level, the revenge for the 1866 defeat suffered on the battlefield at Sadowa, by the Hapsburg would-be unifiers of Germany, at the hands of the scientifically, technologically, and industrially superior Ruhr-Prussian alliance.

It is also, as one leading Munich *Privatbankier* stated, "our revenge against the Grossbanken: their era is over, and we are now returning to the front of the scene."

Siemens relocated its corporate headquarters out of Berlin shortly *before* the battle of Stalingrad turned—and with keen information concerning the carving out of the post-war allied occupation zones. It settled, along with some of the key Nazi intelligence units, in Munich, Bavaria. The Siemens Corporation funds and promotes the secretive, but highly influential Siemens Foundation, the main center for dissemination of Nazi and neo-Nazi ideologies in today's Europe, under the brand-name of "conservative revolution." Not surprisingly, Foundation head Armin Mohler, a former Swiss Waffen SS volunteer, promotes soft-energy, soft-technology policies of "enlightened environmentalism."

The Flick family, heirs to the century's most famous asset-stripper, immensely benefitted by the "Aryanization" of Jewish banks and businesses during the Third Reich, and suffered little during the post-war period. Involvement of younger members of the family in large-scale cocaine smuggling is well-known to police services. The Flicks are among the wealthiest of German magnates, and control a very diversified conglomerate which prominently includes arms manufacturing.

Robert Bosch, the electrical and appliances manufacturer, is known for the pronounced Anthroposophic proclivities of its senior management (a characteristic it shares with Siemens, which trains its managers in this cult) and the extraordinarily generous funding it extends to extremist left-wing anarchist and right-wing cults.

Allianz Versicherung is essentially the German subsidiary of the Assicurazione Generali of Venice and Trieste.