

GERMAN MINISTER OF ECONOMY REINVENTS 'INSOLVENCIES'

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Does Germany anticipate an insolvency wave this fall?

The minister of economy says “No,” adding that companies might “stop production for some time.”

Category: [NEWS](#)

Tags: [David Boos](#), [energy crisis](#), [Germany](#), [Greens](#), [insolvency](#), [Robert Habeck](#)

Green ministers in the German government have faced regular criticism recently. While Foreign Minister Annalena Baerbock was recently criticized for her disregard of German voters (the *European Conservative* [reported](#)), her party colleague, Vice Chancellor and Economics Minister Robert Habeck follows her in the crossfire of criticism. His mistake? Committing rhetorical mischief, involving how “insolvency” is defined.

On September 5th, Habeck was a guest on *Maischberger*—a German talk show that gets its name from its host, Sandra Maischberger—to discuss the energy crisis and its economic consequences. As an increasing number of sectors of the economy can no longer bear the burden of high energy costs, many experts have [predicted](#) a wave of insolvencies this coming fall. Asked whether he, too, expected such a scenario, Habeck replied:

No, I don't.

He then elaborated:

I could imagine that certain industries will just stop producing for the time being, but not to go insolvent. At the moment I don't get to buy rolls anymore, let alone have breakfast in the morning in peace, but I know from times past that the rolls at the bakery are about twice as expensive compared to the rolls at the discounter. When prices go up relatively, this gap increases. Then stores that rely on people spending money, like florists, organic stores, and bakeries, will have

real problems because there will be a reluctance to buy. And then maybe they won't be automatically bankrupt, but they may stop selling.

https://twitter.com/Tim_Roehn/status/1567276089122213889

The puzzled moderator then asked how that is supposed to work:

If I stop selling, I don't make any more money. Then I have to file for insolvency, and if I haven't done that within two months, I've delayed insolvency.

Habeck replied that people would face "insolvency if they make an ever greater minus with their work," prompting Maischberger to ask how businesses should avoid making an ever greater minus if they have to pay people but no longer sell anything.

"I'm pointing out," Habeck said, "that there doesn't necessarily have to be a wave of insolvencies, but it may be that certain businesses are no longer profitable and those are then discontinued." The Economics and Climate Change Minister added, "Maybe they'll resume their business later, that's possible, but that's not a classic insolvency then."

Habeck admitted, however, that it may be that "businesses such as bakeries, craft businesses, cleaning companies" will cease economic activity over this year if no remedial action is taken. This is "a danger," he said, that will be addressed. Maischberger summarized the minister's information with the words "they are then broke because they can no longer work, but do not declare insolvency." She added that this must be "thought through again," as Habeck had not found the "right answer" yet.

Habeck's appearance unsurprisingly led to ridicule and scorn from the [press](#) and political opponents. The secretary general of the Christian Social Union (CSU), Martin Huber, [described](#) Habeck's statements on Twitter as "unworldly, out of touch, haphazard." He said

Habeck "has no idea about managing, he stands for downsizing," and Huber posed the question, "if too little electricity is produced in winter because the nuclear power plants need a week to ramp up, is that not a blackout but the light just stops shining a bit, or what?"

AfD MP Beatrix von Storch also vented her displeasure on Twitter, writing, "Green logic: there is no inflation, only higher prices, no blackout, just no electricity. Greens are not stupid, they just have no brains."

https://twitter.com/Beatrix_vStorch/status/1567431716913954816

The chief executive of the Central Association of the German Bakery Trade, Daniel Schneider, was equally outraged. "Minister Habeck has thus upset many medium-sized businesses and especially the bakery trade," the *Tagesschau* [quoted](#) Schneider as saying. "A bakery cannot simply close down for three months and then continue to run. Bread eating is not something to catch up on." According to the executive, the bakery trade is facing three main problems: the more expensive production due to the energy crisis, the shortage of raw materials, and the lack of skilled workers.

The Ministry of Economics, however, came forward with a statement the day after Habeck's TV appearance. The [statement](#) stressed Habeck had merely wanted to clarify "the important difference" between insolvencies and company closures. "Insolvency proceedings serve to preserve as much as possible of the company in a structured process. In contrast, business closures mean that companies give up on their business without filing for insolvency because, for example, they see that their business is simply no longer profitable due to high energy costs." These energy costs "are a serious problem, especially for small and medium-sized companies."