

German coalition government accord: a declaration of war on working people

By Dietmar Henning
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On November 14 the party congresses of the Social Democratic Party (SPD), Christian Democratic Union (CDU) and Christian Social Union (CSU), who make up Germany's new "grand coalition" government, voted in favour of an agreement that had been made public just two days previously. It is titled: "Together for Germany—with courage and humanity." Its contents represent a declaration of war on working people—in both an economic and political sense.

Both the SPD and CDU/CSU rejected initial criticism of the accord by referring to the "compromises" which had to be made. This was how it had to be in a grand coalition, they claimed. The election result allowed no other possibility. This is an outright lie. In the coalition accord, two parties which lost support in the election have agreed to the type of right-wing, antisocial program that was clearly rejected on September 18 by the large majority of German voters.

Symptomatic is the agreed increase in value added tax by around 3 percent due to come into effect in 2007. In its election campaign the CDU had announced its intention to increase the value added tax by 2 percent to 18 percent, and then lost substantial support in the opinion polls. The SPD reacted to the increase planned by the CDU/CSU union with an election campaign against the "Merkel-tax" ("Merkel-tax, that will be expensive"—Angela Merkel is the leader of the CDU and Germany's new chancellor). Now the two parties have agreed to an increase to 19 percent!

For the approximately 38 million households in Germany the value added tax increase means—based on current spending patterns—an additional average expense of €350 per year.

From 2012 the legal pension age is to be gradually increased from 65 to 67 years by the year 2035. In view of above average unemployment amongst older workers—at present only 40 percent of those over 55 years have jobs—this is nothing less than a further cut in pension provisions. Pensioners have received no increase in their pensions in recent years and the new government has stipulated that any increase is excluded also for the next four years. With prices increasing by at least 2 percent annually, this means an additional substantial cut in income.

The grand coalition also agreed to abolish numerous tax benefits for ordinary earners. Next year €600 million of tax cuts come into effect and by 2009 a total of €7 billion. Tax deductions for homeowners are to be cut next year and, from January 1, 2006, tax deductions for transition payments for workers losing their jobs will be axed.

In 2007 tax concessions for commuters will be slashed and the tax-free allowance for both married and single persons will be cut. Allowances paid to miners and allowances for married couples and mothers giving birth will also be done away with in 2007.

There is disagreement in the coalition over plans to dismantle coal subsidies. The CDU-Free Democratic Party (FDP) state government in North Rhine-Westphalia interprets the agreement in such a way that it can cut subsidies even more drastically than it has so far planned. The aim of the North Rhine-Westphalia government to save €750 million in coal subsidies by 2010 is now completely realistic, according to the state prime

minister, Jürgen Rüttgers (CDU).

The grand coalition has postponed any decision over further cuts for the time being. This applies in particular to the health system. Next year the coalition plans to radically transform the German system of health and nursing insurance. Both sides want to "impartially" examine the different models. They have already agreed amongst themselves, however, that in the future private insurance provision will play an increasing role in the German insurance system.

The thrust of the coalition accord is most clearly to be seen in its labour policy. The initial period of a employer-employee relationship is to be extended to two years. This represents a major step towards a "hire and fire" jobs system whereby in these first two years the employer can terminate an employee's job with two weeks' notice and without having to provide a reason. As the document suggests, all those elements in the field of employment policy which are "ineffective and inefficient will be abolished."

Measures planned for February 2006 by the previous SPD-Green federal government, reducing unemployment entitlement for those over 55 years, remain in force. Additional measures have also been agreed upon that mean older workers who lose their jobs, including those with a working life of 30 years behind them, will be rapidly eligible to receive the lowest rates of unemployment payments—as laid down by the so-called Hartz IV laws.

All in all, the SPD and right-wing union parties want to save €4 billion annually from unemployment allowances which, they claim, have "gotten out of control." Parental support for their older children is to be cut and the considerable cuts in unemployment payments are to take place as part of a campaign against alleged "abuse" of the payments system.

The recent brochure produced by the outgoing economic and employment minister Wolfgang Clement (SPD) "against abuse, spongers and self-service in the welfare state," in which the unemployed are referred to as "parasites"—language also used by the Nazis against its opponents—is to be the ideological basis for this campaign against the most deprived social layers. Measures giving the authorities the right to check the data of unemployed persons—via pension savings, health insurance companies and banks—to determine "cases of abuse" are to be intensified and such checks can be carried out four times annually.

According to the plans of the grand coalition, the unemployed are to be transformed into an enormous army of cheap labour lacking any basic rights. New measures will expand the field of cheap wage work. Unemployed Germans will be forced to replace low-wage workers from eastern Europe who currently assist with the asparagus or fruit harvest.

The federal agency for labour (BA) has already made appropriate alterations to its budget for the coming year. The BA assumes that 100,000 unemployed will find some sort of cheap wage work and the total number eligible for social security will sink by a further half million, i.e., the rise of the total number of employed persons will be due to the expansion of so-called 'mini' and 'one euro' jobs.

In order to quell opposition to these cuts a few symbolic palliatives have been included in the coalition agreement. This is to give the appearance that the “foreseeable inevitabilities” (*Frankfurter Rundschau*), are not predominantly aimed at low and average breadwinners, but will also hit the rich. “Nearly everybody will be hit” was the headline in the *Süddeutsche Zeitung*; “Wave of savings hits all” in the *Westdeutsche Allgemeine Zeitung*.

A special place amongst these “symbols” is reserved for the so-called tax on wealth. From 2007 the rich who earn €250,000 (unmarried) or €500,000 (married) will be subject to a 3 percent increase in tax rates, i.e., 45 instead of 42 percent. This top tax rate is already considerably less than the rate which existed in 1998 (53 percent) and applies only to the income which exceeds the stipulated amounts. In fact, only a handful of the wealthy allow their entire fortunes to be taxed. They find numerous means of reducing or concealing their deductible income, i.e., through the establishment of unlisted firms, the writing-off of secondary income sources etc., etc.

The “tax on wealth” is nothing but an attempt to throw dust in the eyes of the public. If anyone profits from the measure, it is above all the society of tax consultants. Rumours circulating in recent weeks that the coalition agreement would include measures increasing the taxation of share options, profits from speculation and the possession of estates have evaporated into thin air, and promises by the coalition parties that they would improve prospects for young families have also not been realised.

Welfare organisations have already subjected the coalition plans to severe criticism, with the Catholic relief agency Caritas Germany accusing the coalition of “redistributing wealth from the poor to the rich.” Other specialists in the field of social work have declared that the coalition’s plans for subsidising families with children would be heavily weighted to the advantage of academics and the well-off, as opposed to the unemployed or those in low-paying jobs.

Alongside the wealthy, employers also profit from the planned changes. Big business profits will benefit in the first place from the lowering of the employers’ rate of contribution to unemployment insurance (by approximately 2 percent, to 4.5 percent). In addition, business will receive additional relief through a tax reform planned for 2008. Generous amortisation rules for investors are planned, along with relief from death duties until its complete abolition over a period of 10 years. “The measures for the stimulation of the economy amount to a total of €6.5 billion.”

The policy of the grand coalition which emerges is an intensified version of the Agenda 2010 introduced by the coalition government of the SPD and Green Party, led by chancellor Gerhard Schröder, that has just been voted out of office—i.e., a huge redistribution of wealth from the poor to the rich.

This applies not only to the tax concessions and loopholes for the rich and big business introduced by the SPD-Green administration, but also the allegedly increased expenditures for the poor and the unemployed that are used to justify new budget cuts.

“The situation is serious and pressure to consolidate [cut down on expenses] is considerable, if we want to transfer acceptable state finances to the next generation,” write the SPD and CDU/CSU union in the coalition accord. “For decades the illusion has continuously been created that the state can always satisfy new and more comprehensive desires and payments. Expenditures and the dynamics of expenditure have set in motion a spiral of indebtedness which has to be broken.”

This is a complete distortion of the facts.

The coalition accord officially departs from the conception that politics can regulate fundamental social issues and secure the elementary needs of the population. There is no attempt to make the case that the grand coalition can address and overcome Germany’s most pressing social problem—mass unemployment. The agreement is exclusively concerned

with the reorganisation of the state budget in the interests of big business.

There is not a trace of the postwar social reformist doctrine which argued that capitalism or the free-market economy was capable of reconciling opposed social interests. The words “social free-market economy” appear just once in the 191-page contract—in the heading “The right politics for a social free-market economy.”

In an insightful commentary on the agreement, the *Süddeutsche Zeitung* noted: “The political pragmatism, which here comes to light and which will probably characterise the future government, follows a logic which is equally paradoxical and full of consequences.... Every policy which dedicates itself to the economic and social crisis can in the foreseeable future only be an organisation of asymmetries. No political prescription will be able to prevent the ever dramatic gap between circumstances of income and wealth, no one is capable of stopping the increasing fragmentation of society, never mind the asymmetries between rich and poor countries, which is the source for the enormous worldwide pressure for redistribution.”

This represents a rejection of any form of democracy. If “the ever dramatic gap between circumstances of income and wealth” cannot be remedied then there is also no basis for the maintenance of democracy. Such politics can only be implemented with authoritarian forms of rule.

It is no coincidence that Germany’s recent early election to the Bundestag was arranged as a sort of state putsch—following pressure from business groups and through abuse of the constitution. The declaration of war on the working population contained in the coalition agreement is the direct result of this illegitimate early election.

The grand coalition is itself very conscious of the potential impact of its plans and is preparing accordingly for coming confrontations with the population. Democratic rights are being restricted and the state apparatus beefed up. Germany’s security and police services are to be expanded. In this respect the new government can draw on the antidemocratic measures introduced by the SPD-Green government and its interior minister, Otto Schily (SPD).

The anti-terror laws introduced after the attacks of September 11 2001, have been re-examined and, as the contract indicates, will be expanded. “We will examine to what extent legal regulations, for instance relating to data security, can assist in an effective struggle against terrorism and crime,” reads the coalition agreement. Biometric procedures for passports and the issuing of identity cards are to be stepped up. In 2007 there will be an investigation as to whether the use of DNA analysis should be expanded in criminal investigations.

The use of German armed forces for domestic purposes is assured. Here, however, the coalitionists are waiting for an appropriate judgement by the Federal Constitutional Court. If Germany’s highest court decides in favour of the domestic use of the army, then moves will immediately be made to change the German constitution, which currently prevents such a development.

Germany’s leading police authority, the Federal Criminal Investigation Office, is to be allowed to enforce so-called preventive anti-terror measures, which activity until now was the province of Germany’s regional state police. German legal circles are also involved in these changes, which include the introduction of a controversial regulation allowing the judiciary to award reduced sentences to criminals who implicate others. In 1999 a SPD-Green party government refused to renew this measure, which was originally introduced in the 1970s by the state in its campaign against Red Army anarchists.

Now those from the SPD involved in the coalition negotiations have thrown their constitutional doubts to the wind and agreed to the reintroduction of the regulation.

In light of the youth rebellion currently taking place in France one feature of the coalition agreement is particularly remarkable. Not only can the psychologically ill and incurable sexual criminals be locked up in

“preventive detention,” i.e., with no time limit on their detention; the SPD and CDU/CSU union politicians have decided to expand this barbaric regulation to young people: “A condition for its imposition [indefinite detention] will be based on the special danger represented by the culprit.” In fact, this ruling opens floodgates that will be hard to close, allowing the state to lock away juvenile offenders for years or even decades.

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