German government’s coronavirus bailout: Billions for the rich, rations for the poor

By Peter Schwarz
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“War is merely a continuation of politics by other means.” The famous sentence from military theorist Carl von Clausewitz is well-suited for describing the German government’s €756 billion bailout package to wage the “war” against the coronavirus crisis. It is a continuation of the policy of enriching the wealthy at the expense of the poor that the grand coalition has been pursuing for years.

The figures speak for themselves: €600 billion is planned to support large corporations, compared to just €50 billion for small businesses and the self-employed. Yet small- and medium-sized businesses with fewer than 500 employees account for some 58 percent of all social insurance-paying jobs in Germany, or around 18 million people.

Small businesses and the self-employed in particular are being hit hard by the coronavirus crisis. They dominate in the food, entertainment and many other service sectors that have had to shut down completely due to COVID-19, and usually have very little financial reserves to fall back on.

For example, around one quarter of the 260,000 social insurance-paying jobs in Leipzig, as well as countless precariously employed and self-employed people, were dependent on the running of commercial fairs and conferences, which have shut down completely. The situation in other cities with large tourist and service sectors is similar.

The government expects that around 3 million small businesses and self-employed people will apply for support from the €50 billion fund, which means a maximum of €15,000 per applicant. Firms with fewer than five employees will receive a payment of €9,000 for three months, while businesses with fewer than 10 employees will receive payments up to €15,000 for the same three-month period. This equates to between €500 and €600 per employee per month, far too little to live on.

In addition, it is questionable whether these funds will ever reach the applicants. The government has pledged help free from bureaucracy. But given the overburdening of the authorities, which have themselves been hit by the coronavirus crisis, and the complex administrative structures in Germany, this is nothing more than a hollow promise.

The situation is even worse for low-wage earners and claimants of Hartz IV social welfare, who are being hit especially hard by the crisis. Most food banks, which offered them affordable groceries, have closed due to the pandemic, and items in the supermarkets are running low or are expensive. No financial support at all has been planned by the government for them. They are planning for an increase in spending of €7.5 billion, but only because the number of Hartz IV claimants will increase by an estimated 1.2 million.

On the contrary, the large corporations and their backers in the banks are being showered with cash. The planned “economic stabilisation fund” (WSF) is even larger than the bank bailout fund of 2008–2009. At that time, the bailout amounted to €480 billion. The WSF is available to companies with at least 2,000 employees and €320 million turnover per year.

The debt brake, which was considered untouchable so long as the debate revolved around imposing vicious austerity on the health care system and social welfare payments, is being suspended to enable the bailout. The lower and upper houses of the federal parliament, the Bundestag and Bundesrat, will meet today and tomorrow to carry this out.

With €400 billion, the fund can purchase corporate debt and other obligations of companies that request help. A further €100 billion will be made available to
the state-owned Bank for Reconstruction (KfW) to issue loans. An additional €100 billion will be made available so the state can take over companies.

Minister for Economic Affairs Peter Altmeier (Christian Democrats) made clear that the state will partially or completely take over companies during the coronavirus crisis if necessary. This kind of state takeover has nothing in common with the nationalisation of private corporations as understood by socialists. Rather, these firms will receive an infusion of public money and then, once they return to profitability, the government will hand them back to their owners.

The €600 billion bailout does not include the funds to pay laid-off workers, who can receive between 60 percent and 67 percent of their previous wage. It is paid for out of the unemployment insurance fund and enables corporations to send workers home on starvation wages while experiencing no extra costs.

The €600 billion in the WSF is exclusively intended to secure the liquidity of the major corporations and guarantee their future profitability. The Süddeutsche Zeitung commented that it remains an open question “whether the unrestricted loan programme for corporations actually helps business, or just the banks. After all, the government’s loan guarantees are made with the banks, while the companies, which are producing nothing, continue to be liable.”

The €600 billion WSF comes on top of the €750 billion unveiled by the European Central Bank to purchase stock. This measure is also aimed exclusively at keeping the casino running that has produced massive profits for the hedge funds, banks and billionaires since 2008–2009.

The European governments could not even agree to prohibit short selling, which enables speculators to make profits on share prices as they fall. Bridgewater, the large global hedge fund, which made huge profits during the 2008 crisis, is already betting some $14 billion on falling share prices for European companies. German Chancellor Angela Merkel and other government officials regularly declare messages of solidarity to the population and are supported in this by all parties represented in Parliament. Left Party parliamentary group leader Dietmar Bartsch wrote on Twitter following Merkel’s remarks on Sunday evening, “Thanks to the chancellor for her clear words.” The Left Party parliamentary group will support all measures that promote solidarity, and avoid damage to the country, the people and the economy. This call to solidarity is a task for the government.”

The reality is that they are exploiting the crisis to systematically deepen the assault on social spending, enrich the wealthy, and strengthen the police-state apparatus and the military—policies pursued by the grand coalition over recent years.

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