The second front

German finance minister announces 30 billion DM budget cut

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German Finance Minister Hans Eichel (Social Democratic Party—SPD) is seeking to save a total of 30 billion marks in the coming year through the implementation of drastic cost-cutting measures. Two weeks ago he sent a letter to all government ministries calling upon them to present plans within the next 10 days to reduce their expenditures by at least 7.4 percent.

Eichel rejected accusations that his methods were bureaucratic and that he was operating with a non-political "lawn mower" technique. He argued that he was treating everybody equally and that was the democratic way.

A review of the figures indicates what this will mean in practice. Almost half of the planned cuts will be from the single largest department, Employment and Social Services, where a 7.4 percent reduction means a cut of 12.8 billion marks in absolute figures.

Details have as yet not been revealed. But such an enormous reduction signifies much deeper cuts in the social safety net than were ever attempted by the previous Kohl (Christian Democratic Union—CDU) government. A dramatic decline in all social security payments—from unemployment benefits to social assistance—is on the agenda.

It is significant that over the past several weeks a systematic witch-hunt has been carried out against the Minister for Employment and Social Services, Walter Riester (SPD), because he was not prepared to immediately concede to the demands of the employers' federations and withdraw minimal changes to the law affecting cheap labour jobs. The transformation of SPD Chancellor Schroeder's government in line with the interests of big business has taken place so rapidly that Riester, always regarded as part of the free-market right wing of the trade unions, has been made into a "left" scapegoat within the government camp.

In addition to the cuts in social services there are plans to increase general taxes. According to reports in the *Berliner Zeitung*, the Finance Ministry is planing to increase petrol taxes by at least 10 pfennigs per litre by the January 1, 2000. The newsmagazine *Der Spiegel* gives figures of 40 pfennigs per litre. *Der Tagesspiegel* reported that the Finance Ministry also has plans for an increase in the general commodity tax by several points next year.

When the SPD was in opposition they continually accused the Kohl government and its Finance Minister Theo Waigel of being "scorched-earth savers" who would destroy everything. Barely six months in office, the SPD-Green coalition has undertaken a course which differs from that of their predecessors only in the sense that it is, in every respect, much more draconian.

Under the title "Savings in the Welfare State" Rolf Dietrich Schwartz commented on this development in the *Frankfurter Rundschau* (21 May 1999): "'Why should the Social Democrats be worried'—to use an expression made popular by the first German Chancellor, Konrad Adenauer—about 'their stupid prattling of yesterday' when they warned Theo Waigel of overdoing things, but are now following the very same course?... Suddenly those with political responsibility no longer want to be reminded that they agreed to create a commission to reintroduce a property tax, and thereby remove one of the causes of the state's financial problems. At a blow the demands for repatriation directed against those who shift tax and capital assets to neighbouring tax oases has been forgotten."

As if to deride the belly-aching of the government over its empty treasury, the chairman of DaimlerChrysler, Jürgen Schremp, announced record profits for the company's German operations and made no secret of the fact that, for the fifth year in a row, the concern has not paid a single pfennig in taxes.

The principal supporters of Eichel's budget cuts are the Greens. After discussions within the coalition, the head of the Green fraction, Kerstin Müller, declared that because of the drastic financial situation there was no alternative to a "course of consolidation". Oswald Metzger, the Green expert on budget affairs, warned the SPD against capitulating to "the anticipated resistance" to the measures. The proceeds from the planned ecology tax should not be used to plug holes in the budget, but should rather be employed, in the interests of business, to reduce wage costs. "Should this not take place," Metzger said, "the Greens will reconsider its coalition with the SPD."

Having completely capitulated on the question of the war in Yugoslavia, the Greens have now made a complete about turn

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with regard to their traditional stand on social policies. It almost seems incredible that not so long ago the Greens stood to the left of the SPD on many of these questions.

Today they operate as rabble-rousers from the right. These former advocates of democracy “from the roots” and representatives of “people's initiatives” now see their main role as boosting the government to insure that it does not give way to growing popular pressure. The social elevation of its leading figures means that the Greens have fully subordinated themselves to the principal of shareholder value.

The general atmosphere has become increasingly aggressive. Employers' federations and business consultants are demanding that the government finally act and no longer hesitate in carrying out deep cuts in the social safety net. In the first months of the new government the former party chairman and Finance Minister Oskar Lafontaine had opposed this line and pleaded for a more balanced social policy. Now that he is gone, Chancellor Schroeder is to lose no more time.

At the beginning of May the news magazine *Der Spiegel* carried the headline “The Chancellor and the Social Mafia”. This latter epithet has been used up to now to identify a privileged elite which sought to plunder the public purse. Now the term is used to attack those who oppose the complete destruction of the social safety net.

The latest edition of *Die Zeit* takes the same tack with the headline “The Anti-Social State”. The article reads: “Those opposed to reforms have a completely false conception of justice. The welfare state has become anti-social. It has failed because it promised too much. It retards the creation of jobs; instead it produces unemployment.”

This is truly a remarkable about-turn on behalf of the super rich! A few pages further in the same edition of the paper is presented a dossier commemorating the 50-year history of the German republic, and emphasises that an extensive welfare state played an essential role in the economic and political stability of the past decades.

The impatience and irritability with which the spokesmen for business groups and their scribblers in the newspapers demand the destruction of the traditional welfare state is based on a very narrow viewpoint. They are so convinced that the only correct means of orientation is the stock market and investment returns that they have abdicated any political understanding of how society works. In fact, the course of German history shows that all the concessions leading to the expansion of the welfare state were bound up with political decisions—from the first social reforms introduced by Bismarck, to the laws governing employer/worker collaboration of the 1920s and the forms of social security created in the period since World War II.

The declaration that the old social consensus must be sacrificed opens up a period of profound political instability. The signs pointing in this direction are becoming more and more unmistakable. The chief minister to the Chancellor's office, Bodo Hombach (SPD), has set up the Chancellor's office as a sort of alternative government. With the direct collaboration of leading business representatives, legislation is drawn up and then forced through the various parliamentary bodies. Anybody who opposes the measures—whether parliamentary deputy or cabinet minister—is silenced by means of intrigues and planted stories fed to the press.

Opposition is growing inside the parliamentary fraction. Two weeks ago a journalist for the *Taz* newspaper reported on the atmosphere in Bonn: “For many deputies the word ‘Chancellor's office' provokes an emotive reaction. The front no longer runs between left and right, but rather between parliamentary fraction and the Chancellor's office. When there is talk of ‘sniping from the Chancellor's office' and ‘scheming' there is just one scapegoat—Office Chief Bodo Hombach. The head of the SPD parliamentary fraction, Peter Struck, said that he is ‘fed up with Hombach's tricks': ‘I will not be duped anymore'.”

Schroeder is accused of being swayed by Hombach. His arrogance with regard to Parliament, according to the same report, bears no relation to his own competence. The chancellor is “not always on top of things and therefore prone to attack”. A member of the SPD executive committee is quoted as saying: “Schroeder is quite simply over-taxed.”

It would, however, be just as wrong to anticipate significant resistance to Eichel's programme of cuts from the social-democratic MPs as to expect the pacifist wing of the Greens to effectively oppose the war course of their party's Foreign Minister Joschka Fischer. The deputies are too attached to their posts and sinecures.

One thing is clear: the government programme of cuts has an explosive potential. Whoever thinks it is possible to do away with a welfare system built up over generations with a wave of the hand is in for some shocks. The SPD could disintegrate in the same way as the Greens did on the question of war. In the end the party will be a pale shadow of its former self.

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