

New study documents growing chasm between rich and poor in Germany

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“The experience of poverty, contrasted with unimaginable wealth, remains a burden that will continue into the next century.” That is how the Catholic welfare institution Caritas summed up the results of a study it commissioned, entitled “Wealth and Poverty in Germany”.

Last month Caritas released some of the findings of the study, which was carried out by the Frankfurt Institute for Social Reportage and Research (ISL). It reported that in 1997, 8.7 percent, or 7.12 million people, lived in “relative income poverty” in Germany.

The threshold used by the social sciences for “relative income poverty” is a fixed figure—half of the average net wage. In Germany this amounts to 924 German marks (US\$497) a month. The majority who fall into this category are single parents (over 23 percent) and couples with children (21.9 percent). The average monthly net income of these groups—just 739 marks—is clearly below the poverty line.

The Caritas Association concludes: “As the number of children increases, the poverty quota clearly rises—from the 9.7 percent of households with one child to the 34.5 percent of households with four or more children.” Hence, having children increases the risk of poverty. This also means that children are hit hardest by poverty. Indeed, 22 percent of those aged 14 to 17 are among the poor. According to the report: “In Germany about 1 million children and youth below the age of 18 are poor.”

Another indicator of poverty—only politicians see this differently—is dependence on social welfare benefits. In 1997, 2.89 million people in 1.5 million households were dependent on social security. For each recipient of social security there is another poor person who, due to lack of information, shame or pride, does not claim the social security benefits to which he is entitled. This

adds up to a total of 5.7 million poor people.

The Caritas study also shows the correlation between financial distress and other problems. Running parallel to long-time unemployment, which Caritas declares the “greatest evil”, are indebtedness, high rents, poor housing, insufficient provision for old age and unforeseen situations, violence, drug problems, and other physical and mental burdens.

Caritas illuminates the situation in eastern Germany. According to a study for 1997, two-thirds of those questioned said that they often felt “exhausted and tired out”. Some 42 percent said they “usually” felt “unhappy”. Only 7 percent were content with their lives, while more than one-third were “rather discontented” with theirs.

Caritas places itself in opposition to the discussion which dominates the media and politics over the alleged misuse of social benefits. The portion of those on social security who receive benefits to which they are not entitled totals 7.4 percent, a mere 0.2 percent of the entire population. The economic loss of state administrations amounts to about 283 million marks per year.

Caritas compares this figure to the 4.48 billion marks “saved” every year in unclaimed benefits, and the 140 billion marks lost by the state as a result of tax evasion. Interest payments made by the state to the banks, which amount to 80 billion marks per year, or 220 million marks per day, could be also be noted in this connection.

The report also considers those with an income 50 percent higher than the average (924 marks), i.e., people who are not counted as being “income poor”, but who still endure a life of economic duress. Social science officially describes the realm of income between 50 and 75 percent of the average as

“precarious well-being”. This definition is supposed to make clear that events like sudden illness, unemployment, a rent increase, marital break-up, and even “pleasant” events such as the birth of a child, if unplanned, can lead to a rapid fall below the poverty line. This brings Caritas to the conclusion that “Poverty and the threat of poverty are penetrating society well into the middle layers.”

If one adds up those living in poverty and those living in a state of “precarious well-being”, one arrives at the conclusion that one-third of the German population is living with financial problems and insecurity.

Official social science lags behind when it comes to statistics on the distribution of wealth. There exists no “theory of wealth” to account for the enormous assets which are being accumulated by a tiny minority. In the appropriate literature people with double the average net income at their disposal are described as “prosperous” or “relatively rich”. In Germany this group makes up 3.8 percent of the population, or 2.63 million people. It is obvious that wide differences exist within this group.

Other comparative figures which indicate crass social inequality are noted by the welfare union. For instance, in 1997 the poorest 10 percent of the German population had 4.1 percent of the total income. The bottom 70 percent of the population had 53 percent of the income. In comparison, 21 percent of total income went to the top 10 percent.

The distribution of real estate and financial assets is even more unequal. The scientists had to go back to figures from 1993. But even these are unequivocal, and one can presume that the tendencies they reveal have become more pronounced over the last six years. In 1993 the total wealth of western Germany amounted to 7.2 trillion marks, while that of the former East Germany stood at 0.5 trillion marks. (1998 figures for the total wealth of Germany-east and west—stood at 14.8 trillion marks, i.e., nearly double the figure five years before).

In western Germany in 1993 the bottom half of households owned 5.6 percent of real estate and investment assets, and the bottom third owned just 1 percent of this wealth. In comparison, the top 20 percent of households owned 61 percent, with the top 10 percent owning 41percent. If these proportions are translated into money terms, the bottom 10 percent are

confronted with “a greater or lesser, but in any case substantial level of debt”.

The 10 percent of rich households have an average fortune of 1 million marks. This top 10 percent of the population own 3 trillion marks. The compound interest, alone, on this latter figure yields more wealth than that possessed by the bottom 40 percent of the population. The report concludes: “Work as a factor in acquiring income and securing one's future now plays a subordinate role.”

The total income in the former East Germany is not as vast as in the west, but its distribution is even more unequal. Some 75 percent of the total income goes to the top 20 percent of households. The top 10 percent account for more than half of all household income (52.6 percent). The bottom 10 percent of households in the east are confronted with debts of 1.6 billion marks.

In summary, the figures presented by Caritas constitute an indictment of existing society, in which a “firm base of an impoverished population” exists on the one side, and a “virtually unimaginable growth of income” exists on the other. The chasm between rich and poor is steadily growing.

The Social Democratic-Green coalition government sees these figures differently. In this respect, as in so many others, they stand in continuity with the former conservative government of Helmut Kohl. In a report drafted for the special assembly of the United Nations set for June of 2000 in Geneva, they write: “Absolute poverty is only to be encountered in a few exceptional cases (for instance when social security benefits are not claimed).”



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