Top German official demands "more inequality"

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In a rare moment of candour, a top government economist has publicly stated what Germany's corporate and political elite has long been discussing in private and is now implementing as social policy.

"We need more social inequality in order to get more employment," Wolfgang Wiegard stated in Berlin last week. Wiegard, who heads the "Expert Council for the Assessment of the Overall Economic Development" (SVR), spoke at a press conference called to present this official body's annual report.

The Expert Council, which consists of five economists, is required by law to deliver a report on the German economy to the federal government every November. The government must deliver a reply to this report before parliament within two months.

Professor Wiegard raised his provocative demand for "more social inequality" quite deliberately in order to justify a 20-point program that amounts to a declaration of war on the working class. The sweeping attacks planned by the Schröder government in connection with a further "reform" of the labour market were "insufficient", Wiegard said. He demanded a general lowering of all wages and salaries, an extension of the low-wage sector, more labour flexibility, a 12-month limit to regular unemployment benefits and further cuts in social security, which is to be "reformed" and "integrated" with unemployment aid (a form of support lower than regular unemployment benefits, but still above social security).

In their report, the experts expand on these points: "In order to increase the incentive for people on social security to enter the regular labour market, the base rate of social support should be lowered for those who are able to work.... Those who cannot find employment on the regular labour market must be compelled to make their labour power available to communal employment agencies in order to maintain their level of support."

Any future wage increases are to remain "below the growth rate of labour productivity" and collective agreements on wages and conditions should contain clauses providing for their possible repeal. In order to prevent workers from going to court over salary discrimination, the unions should agree to a two-tiered system with lower starting salaries for the formerly unemployed.

In addition, the Expert Council puts forward the following demands: more short-term work contracts, less protection against unfair dismissal, strict adherence to the EU Stability Pact, more privatisation on the federal, state and municipal levels, general introduction of university fees and further tax cuts for companies.

The Expert Council is known for its pro-business line, and its reports have always been tailored to the needs of the corporations. Before, however, they never openly confessed to the social implications of their demands, but rather justified them as inevitable, though merely temporary evils. Now Wiegard elevates social inequality to a political goal in itself.

His call for "more social inequality" is part of a political sea change. During the entire post-war period, economic and social policies in Germany were directed towards social compromise. After the experience of fascism and the Second World War, the aim of overcoming social antagonisms was even incorporated into the new West German constitution. According to article 20, the "Federal Republic of Germany is a democratic and social federal state".

In all standard textbooks, the "principle of social justice and the welfare state" was elaborated as a fundamental constitutional norm. The task of the state, according to this interpretation, was to eliminate or allay social problems and poverty. The state had the obligation to promote the well-being of all citizens alike and to share economic burdens equally among all members of society. It was obliged to bridge the gap between rich and poor in order to reduce social tensions.

There is hardly another country in which social harmony and social justice have been written and spoken about as extensively as in Germany. Only 13 years ago, the reunification of the country was praised as a triumph of the market economy, a system whose superiority, it was claimed, stemmed from its ability to combine freedom and democracy with ever growing wealth for all members of society.

Wiegard's call for social inequality as a remedy for unemployment amounts to an admission that these conceptions have failed. He inadvertently acknowledges that capitalist property relations are coming into ever-sharper conflict with the social needs of the people. Furthermore, his choice of words amounts to a threat. He speaks on behalf of an influential section of the economic and political elite that is determined to enforce the interests of the rich and privileged, regardless of the social cost.

Across the Atlantic, one can see the consequences of such a development. According to official statistics, the 13,000 richest families in America possess nearly the same amount of wealth as the 20 million poorest households. Their income is 300 times higher than the average wage or salary. During the last 30 years, the average yearly income of the 100 best-paid CEOs has risen from \$1.3 million—39 times higher than the average wage—to \$37.5 million—more than a 1,000 times higher than the average wage.

This concentration of wealth at one pole of society was bound up with a deep-going decay of the traditional forms and institutions of democracy. The United States is now ruled by a plutocracy. The super-rich are calling the shots in the White House, Congress, the judiciary and the media.

Wiegard essentially demands that Europe follow the same path. Low wages, growing social inequality and misery on a mass scale, however, lead to a rapid decay of society. Such conditions are irreconcilable with democracy, because they can only be brought about by overriding the interests of the majority.

It is worth noting that Professor Wiegard does not belong to the old camp of right-wing economists of the neo-liberal school. Rather, he has been a member of the German Social Democratic Party (SPD) for 30 years. He is also a member of the public services union Ver.di and has repeatedly referred to his "radical days" as a member of the SPD youth organisation in the 1960s. He was only nominated by the SPD-Green government as a member of the Expert Council last year and took over its presidency in the spring of 2002. Wiegard personifies the role of the SPD and the trade unions, which do nothing to oppose the offensive of the right wing and who are themselves systematically destroying social and democratic rights.

To back up his call for social inequality, Wiegard puts forward a number of arguments that have since been repeated reverently by the media as the last word of economic science.

His central thesis is that the social security budget has been depleted due to a population that is demanding just too much.

This is a lie. In reality, the social security budget has been systematically plundered to satisfy the demands of the rich, while the right to social support for those in need has been drastically reduced in recent years. In addition, growing poverty affects the social budget for various reasons. One is the increasingly large number of low-wage jobs that are exempted from social security contributions—the worker cannot live on his or her salary while the employer pays no taxes on it.

The social budget in Germany is financed exclusively through taxes on wages and salaries, while other forms of income—yields on stock, rent, investments, etc.—are not taken into account. One measure that could put the social budget on an even keel would be a corresponding tax on *all* forms of revenue—something the Expert Council rejects as a matter of course.

In other words, the problems affecting social expenditures have been caused by precisely the same medicine that professor Wiegard now proposes to administer in double and triple doses.

Meanwhile, another governmental body, the "Working Group on Tax Estimate", has conjured up the spectre of a looming national bankruptcy. It predicts that the state will collect €31.4 billion less in taxes than originally projected by the government for 2002 and 2003. The German finance minister points to the effects of the downturn in the world economy in order to repeat the call for social cuts and low wages.

Again, reality is turned on its head. The state collects less tax revenue because of a sweeping upward redistribution of wealth undertaken in the tax reform of the SPD-Green government in 2000. According to estimates of the Tax and Finance Ministry, the taxes paid by companies decreased by 20.1 percent from 1999 to 2002, while income and sales taxes rose by 2.4 and 8.9 percent respectively.

The picture becomes even clearer when one looks at some details of the tax reform. Prior to this reform, a 30 percent corporation tax was levied on dividend payments, while profits not paid out by a company were taxed 45 percent (40 percent since 1999). However, following the tax reform, all profits, whether paid out or not, have been taxed at a universal rate of 25 percent. Then a special treat was offered to business: if companies decided to belatedly pay out profits made prior to the tax reform, they could claim the difference between the tax paid then (45 or 40 percent) and the new rate (25 percent) from the Tax and Revenue Office. Billions were thus handed out by the state to the corporations, who of course rushed to take advantage of this opportunity.

According to the Federal Bank of Germany, in 2001 the Tax and Revenue Offices paid out a net sum of €426 million more to businesses than they collected in corporation tax. In the same year, taxes on profits went down from €76.7 billion (2000) to less than €56 billion. State revenue from corporation tax payments decreased from €23.6 billion (2000) to €2.1 billion (2001).

National wealth has almost doubled during the 1990s, having increased to nearly seven billion euros. However, almost half of this total belongs to the top 10 percent of all households. The situation of households with little or no property has remained virtually unchanged.

These facts alone refute the reactionary talk about more social inequality as a remedy for the crisis.

One thing must be said to the credit of Professor Wiegard, who perceives social reality solely from the perspective of his university lectern and his columns of figures. At least he has chosen the right words. "More social inequality" is what the current development of society is all about. It is the battle cry of a social layer that has grown rich during the stock market boom of the past decade and now feels threatened by the economic decline. These people—aggressive, ruthless and interested in nothing but their own personal gain—are determined to defend their privileged social position with all means at their disposal.

The history of great social changes demonstrates that they will heed neither warnings about the social consequences of their actions nor appeals for restraint. There is only one way to counter this ruthless upper layer and its political representatives: the building of a social movement from below, based on the large majority of the working people and on the principle of social equality.