

Right-wing Social Democrat Steinbrück named finance minister in German grand coalition

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The nomination Wednesday of the former North Rhine-Westphalian prime minister, Peer Steinbrück (Social Democratic Party—SPD), to the post of finance minister in Germany's new grand coalition is a clear signal that future government policy will involve new welfare cuts and a further redistribution of wealth from the needy to the rich. At the start of the week the leadership of the SPD agreed to form a grand coalition with the conservative union parties, the Christian Democratic Union (CDU) and Christian Social Union (CSU).

Steinbrück is a close political friend of the outgoing economics and labor minister, Wolfgang Clement (SPD). He is also a calculating apparatchik, who throughout his career has oriented his policies to the economic and financial guidelines laid down by Germany's employers' associations. He has little interest in the social implications of his decisions and could just as well have pursued his political career within the CDU.

He is known as the man responsible for the worst ever defeat for the SPD in the key German state of North Rhine-Westphalia. In this respect, he resembles his predecessor as finance minister, Hans Eichel (SPD), who also moved into federal politics after suffering an electoral rout in the state of Hesse.

A glimpse at his political biography makes clear that Steinbrück took very literally the advice given by the SPD youth leadership in the 1970s to undertake a "march through the institutions." He first joined the SPD in 1969 as an economics student. Five years later he held a leading post with responsibility for area and regional planning in the Federal Department of Construction.

Subsequently, he worked in the planning group of the Federal Ministry of Research and Technology, and in 1977-78 advanced to become personal advisor to ministers Hans Matthöfer and Volker Hauff (both SPD).

From the middle of 1978 to the beginning of 1981 he worked in the chancellor's office.

Afterwards he served as a personal advisor, this time for the federal secretary of research, Andreas von Bülow. He then worked on the staff of the SPD Bundestag (parliamentary) faction before he took up a post in 1983 in the Ministry for Environment, Area Planning and Agriculture in the state of North Rhine-Westphalia (NRW). In the second half of the 1980s Steinbrück headed the office of the NRW prime minister, Johannes Rau (SPD).

In May 1992 he moved to Kiel as an undersecretary of state in the Ministry for Economics, Technology and Traffic in the state of Schleswig-Holstein, and became a minister one year later. At the end of the 1990s he returned to North Rhine-Westphalia, became an economics minister in Düsseldorf and finally took over the office of prime minister, replacing Clement, who in 2002 took up the post of federal minister for economics and labor in Berlin.

Already during his spell as economics minister in Schleswig-Holstein in 1993 Steinbrück promised a policy based on "continuity and reliability, freed from ideological blinkers" as well as an "economic policy without subventions."

Since then, Steinbrück has made a name for himself as a thoroughly dependable representative of the business lobby and has never sought to hide his affinities with conservative and "free-market" parties such as the Free Democratic Party (FDP) and the CDU. He is a financial administrator for whom balance sheets are far more important than social conditions. He describes his politics as "straightforward" and himself as a "man of the executive."

Steinbrück expressly defended the outgoing German

government's attacks on welfare rights and the unemployed—the Hartz reforms. In 1999, in his function as NRW economics minister, he allowed the payment of non-tariff low wages as part of a pilot project aimed at an “effective struggle against unemployment.”

In financial questions, Steinbrück is an advocate of drastic cuts. Along the lines of the motto: the state cannot spend more than it has, he gives precedence to budget cuts over increasing revenue by raising taxes for big business and the rich.

During his period as prime minister of North Rhine-Westphalia, Steinbrück introduced the largest budget-cutting package in the history of the state. The budgets for 2004 and 2005, which the NRW cabinet officially agreed in September 2003, contained cuts amounting to over €2 billion. Virtually all state departments were forced to accept drastic cuts, with many social institutions receiving much reduced subsidies. Steinbrück's finance minister at the time, Jochen Dieckmann (SPD), who shares Steinbrück's political views, admitted that these measures would lead to the loss of jobs.

Dieckmann and Steinbrück also ordered state officials to make their own “savings contribution.” Working time was increased from 38.5 hours to 41 hours per week and holiday pay was cut. When confronted with numerous protests, Steinbrück defended his cuts by declaring there was “no alternative.”

His determination not to give way to popular opposition is not the only qualification which Steinbrück brings to his new post as federal finance minister in a grand coalition. He also has direct experience in cooperating with the CDU.

Together with the prime minister of Hesse, Roland Koch (CDU), he developed the so-called Koch-Steinbrück commission paper. In September 2003 the two prime ministers submitted suggestions for the “biggest program for the dismantling of subsidies in postwar German history.” The cuts were planned to take place over a period of three years and the paper was entitled “Dismantling subsidy based on consensus.”

They proposed uniformly slashing virtually all department subsidies by 4 percent and stressed that the cuts could be extended beyond the initially proposed three years. The resulting cuts would have amounted to around €15.8 billion for the years 2004 to 2006 alone. Cuts in tax benefits for ordinary workers, amounting to savings of another €6 billion, were also in their sights. “However, we could obtain no agreement on these measures,” Koch and Steinbrück were forced to concede two years ago.

Barely an area of administration was to be left untouched. A series of basic tax benefits for ordinary earners, such as travel allowances, were to be slashed. Even the “tax exemption for foreign orchestras and artistic groups” (savings of €5 million over three years) was included in the package.

Also lined up were cuts to subsidies for the coal mining industry, which has traditionally played a major role in the economy of NRW, as well as to the shipbuilding industry. Also targeted were subsidies for social facilities (including agencies for consumer protection, hospitals, rehabilitation centers, theatres, museums, institutes for vocational and apprentice training, juvenile welfare services and other welfare organizations). All in all, over €1.5 billion per year was to be saved in these various departments.

The “room for maneuver” created by the savings was to be used “for an additional lowering of taxes” which would be “at the same time an indispensable contribution to the stabilization of growth and jobs.” In other words: cuts in social benefits would pay for windfalls for business interests and the well-off.

These cuts were to be implemented regardless of “resistance.” The paper stated that “the organized resistance of groups and federations affected has succeeded time and time again in defending their own advantages at the expense of the general public.” It continued: “[T]he current state of the public budget provides an opportunity and at the same time a challenge to implement subsidy dismantlement against such resistance.”

Koch and Steinbrück were unable to introduce their policy a few years ago, but their proposals throw light on what can be expected from Germany's newly formed grand coalition: a further redistribution of wealth from the needy to the rich against the “organized resistance” of those affected.



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