

# Big business lobbies step up pressure on Germany's grand coalition

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“All power proceeds from big business and its lobbies.” This is not how the German constitution reads, but this is how it is interpreted by numerous economic research institutes and business groups that, under the guise of scientific research, lobby on behalf of the employers and major capitalist interests.

From the beginning of coalition negotiations between the Union parties—the Christian Democratic Union (CDU) and the Bavarian-based Christian Social Union (CSU)—and the Social Democratic Party (SPD), a wave of reports has appeared that demand lower wages, the dismantling of protection against dismissal, elimination of employer contributions for social security, introduction of educational fees, etc., etc.

They have a good chance of finding an audience. Those involved in the coalition negotiations have made no secret of the fact that business demands have top priority.

Over the past week, Germany's prominent economic institutes have submitted their autumn reports. Their central prognosis is that there is no prospect in the foreseeable future for a turnaround or a noticeable upswing either in German economic development or the job market. Therefore, wages should be held as low as possible, the economists conclude.

They assert that wages regulated by Germany's tariff agreements should rise by about 1 percent at most, “even if the economic situation improves and the job market situation eases somewhat.” The trade unions have to send “reliable signals that they are not seeking at the first opportunity to compensate for losses with higher wage agreements.”

“Top Institutes Demand Shrinking Wages,” was the headline of *Spiegel-Online's* report, which points out that even as they demand wage restraint, economic researchers regard low private consumption as the “biggest problem.”

“Weak consumer spending since 2002 has not yet been overcome,” the article reads. Increased energy costs and contributions to health insurance still have a negative effect on purchasing power. Real consumption will therefore sink this year by 0.5 percent, and in the coming year by about at least 0.2 percent.

The economic reports call upon the government to cut state expenditures while lowering taxes for business, thereby reducing the budget deficit.

A few days previously, the chairman of the federal employers' association, Dieter Hundt, issued a catalog of demands under the heading, “The Expectations of German Business from the

Coalition Negotiations.” Germany's main federation of business organisations prioritises two demands: first, further tax cuts for big business, and second, a “fundamental reorganisation of our social security system.”

Germany's health and nursing care insurance must be completely freed from its current “financing based on an employer-employee relationship,” the strategy paper reads. In other words, the employers' portion of social security financing is to be transferred to the workers—a massive shift in favour of big business. As the first step, Hundt demands a “freezing of the employer contribution to health insurance.”

At the same time, the pension age must be raised to 67 years. “Even if that was not a component of the election programmes of the CDU/CSU and SPD, prominent politicians from both parties have repeatedly referred to this necessity,” stressed the employer's chief spokesman, who then told the press, “[N]ot political maneuvering, but rather economic necessities” must dominate the coalition negotiations.

The constantly recurring formula reads, “for more growth and jobs,” followed by the demand that unemployment insurance contributions be lowered and the value-added tax increased. The fresh revenues resulting from the VAT increase are to be used to lower social welfare contributions and thereby cut costs for entrepreneurs.

The formulation, “We cannot avoid introducing further job market flexibility,” is aimed at abolishing protections against dismissal for all enterprises with less than 20 employees. In larger enterprises, a weakened form of protection against dismissal is to apply, but only after the third year of employment. The existing laws protecting workers against dismissal are, according to Hundt, the chief obstacle to the creation of new jobs. Only if entrepreneurs are given free rein, as is the case in America, with its culture of “hire and fire,” will it be possible to create new jobs.

Even more extensive and detailed are the suggestions—perhaps more accurately, instructions—issued by the German Economic Institute in Cologne. The institute presented its comprehensive 75-page “Reform Concept for the New Federal Government” just a few days after the September 18 elections to the parliament (Bundestag). The text bears a title that reads like an ultimatum—“Vision Germany: What Must Be Done Now”—and reads like a blueprint for the programme of the incoming government.

A 100-day programme of immediate tasks and a 1,000-day

programme of longer-term concepts are set forth in accordance with the demands of big business and the employer associations.

The table of contents gives the game away: lower contributions for unemployment insurance, the abolition of social solidarity-based tax systems, increased value-added tax, lower taxes for enterprises, dismantling of job-protection measures, cuts in ancillary wage costs, an intensification of the anti-welfare Hartz IV measures, competition in the health insurance and care system, modernisation of labour and tariff laws, family policy to be adapted to employment requirements, fundamental reform of the tax system, and so on.

In addition, the document proposes the dismantling of state assistance programmes, the slimming down of the state, increasing flexibility in the field of education, and a more efficient organisation of student fees.

It is worthwhile looking at the individual chapters more closely. Each subsection is devoted to a particular problem, followed by a detailed suggestion for reform and the arguments that should be made in favour of its implementation. Thus, the chapter “Lower Business Taxes” explains that the extension of the European Union to the East has weakened Germany’s position in the field of international tax competitiveness, because business tax in the new European Union member states averages about 20 percent, while enterprises in Germany pay rates of 38.6 percent.

Therefore, the corporation tax should be lowered from its existing level by 6 percent—a measure that was already agreed on, but not yet implemented by the Union parties and SPD at the so-called “jobs summit” held in the spring of this year. The resulting reduction in tax income, estimated at 5.3 billion euros, is to be compensated for by the “abolition of tax write-offs” and the dismantling of unspecified subsidies.

In this connection, the axing of tax rebates for commuters and the cancellation of premiums for Sunday, holiday and night shift working was discussed last spring. Such measures shift money directly from the pockets of employees into the coffers of the employers. An additional demand is the cancellation of death duties for family enterprises.

In the chapter “Facilitate Job Creation,” the demand is raised for the legalisation of the practice of employing workers initially on short-term contracts, and then continually renewing such contracts, instead of employing them on the basis of a proper full-time contract.

Under the headings “Cuts in Ancillary Wage Costs” and “Cuts in Active Labour Policy,” a series of demands is raised for a further intensification of the measures begun under the Hartz IV legislation, including even more draconian requirements before unemployed persons can receive any benefits. Payments for those retiring early are to be cut, and the document also demands the elimination of existing training and job-bridging schemes.

Germany’s health insurance system is to be further curtailed, in order to force workers to take out additional private insurance. One demand is for an increase in practice fees and payments for medicine—measures that hit the poorest social layers hardest. The list of cuts is almost endless, and extends to the “abolition of child benefits for pupils or students over 19, as well as the abolition of financial assistance for students in favour of study fees amounting

to 2,500 euros annually.”

The whole package represents a massive reallocation of social wealth from the poorest to the richest, and is justified in a thoroughly demagogic fashion by most political parties and a majority of the media as a “campaign for job creation.”

Germany’s outgoing SPD-Green Party government had already saved 30 billion euros taken from the poorest layers of the population via social cuts, and handed this money over to the rich and super-rich in the form of tax gifts. Over the same period, many German enterprises have recorded record profits while at the same time wiping out huge numbers of jobs.

Along with the destruction of legally regulated tariff jobs, the attacks on Germany’s welfare system are aimed at forcing the unemployed to accept low-wage employment. Within the space of a few years, a huge low-wage sector has been established with up to 6 million such jobs. Now this sector is to be systematically expanded.

Big business associations and their institutes are determined to introduce American-type conditions in Germany and Europe. Recent events should serve as a warning. A few weeks ago, the management of Delphi, America’s largest auto supplier, with more than 35,000 workers in the US and many works in other countries, demanded wage cuts of 60 percent for its American workers and then filed for bankruptcy protection in order to impose its demands.

The preface to the dissertation “Vision Germany: What Must Be Done Now” recommends that the state should take less responsibility and give more freedom of choice to the individual. Privatisation and competition are regarded as the basis for growth and prosperity.

A glimpse across the Atlantic shows the real meaning of such clichés. The recent hurricane disaster in New Orleans was testimony to the devastating consequences of privatising social life and subjecting every aspect of society to the profit motives of a privileged minority.

The fact that the Cologne Institute had a finished economic programme for implementation by all governing parties just a few days after the election throws light on the forces behind the decision for early elections in Germany. In view of increasing public opposition to government policy, the most influential business groups were vehemently opposed to any “standstill” until scheduled elections due in autumn of next year. They are determined to impose their anti-social policies at all costs and without delay.

Germany’s new chancellor, Angela Merkel (CDU), has already made clear where she stands. Last Sunday, she assured press representatives there would be “no return to social romanticism.”



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