

# Germany: Finance Minister Steinbrück's tirade against the welfare state

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In a major speech to the German Chamber of Commerce and Industry (IHK) last week, Federal Minister of Finance Peer Steinbrück (SPD) has again confirmed that the role of the Social Democrats in Germany's current grand coalition with the CDU (Christian Democratic Union) and CSU (Christian Social Union) is not to restrain its partner from excesses. Rather, the SPD plays the predominant role in demanding and implementing the destruction of Germany's welfare state.

To the applause of the assembled representatives of big business, Steinbrück explained that in future the state should only concentrate on what were its "indispensable tasks" and could no longer afford social expenditures at the present level. He gave a clear thumbs down to the "high expectations" made upon the state by the "needy." The welfare state along the lines of "alimony provisions" must be abolished, he said.

The state wants to work in an "activating" manner, the minister of finance stressed, therefore one would in future dismantle everything which in the sphere of social policy leads to "passivity and exaggerated expectations." A goal and task of the "modern state" cannot be to protect "every individual from all imponderables of the market." The most important function of social policy is to make it possible for the "citizen to secure ... his own existence through his own efforts."

Everyone who has some experience with social policy in Germany over the past few years knows that these words amount to a redoubled declaration of war on the overwhelming majority of the population. What are, after all, the "imponderables of the market," against which the state is no longer able to protect its citizens? Dismissals and unemployment, precarious conditions of employment and starvation wages, forcing workers

to take up two or more jobs and make a reasonable existence impossible. And what Steinbrück flatteringly describes as "activating" social policies have already affected millions, who under the Hartz IV laws have seen their benefits cut, the implementation of so-called one-euro-per-hour jobs and the obligation to accept any form of work offered.

As justification for the continual welfare cuts, Steinbrück cited the indebtedness of the public budget. Social welfare was also no longer capable of being financed, due to the decline in jobs where workers make social security contributions. In this manner, the minister of finance is consciously concealing the identity of those responsible for this development.

The seeping away of public finances—as well as the constant decline in regular employment involving the payment of social security deductions—is intimately bound up with the financial, labor and social policies pursued by the SPD government led by Gerhard Schröder for the past seven years and which were initially introduced by the preceding government led by Helmut Kohl (CDU). At the core of these policies was an enormous redistribution of social wealth from the less well-off to the wealthy. The consequences of this policy are now to be legitimized through a fresh round of cuts at the expense of the working population.

State finances have been especially hard hit during past years by huge tax gifts and subsidies for business and the wealthy. Under the Schröder government the highest rate of taxation sank from 53 to 42 percent; corporation tax from 42 to 25 percent. Proportionally speaking the state budget is drawn in increasing measure from ordinary income tax and mass taxes such as the value added tax, which is to be increased again by the new government beginning in 2007.

Stagnating or sinking real wages, continuing high

levels of unemployment and the progressive destruction of regular jobs in favor of the aforementioned “mini jobs,” freelance activity, so-called “practical courses,” etc., have indeed brought about a decline in tax revenues and reduced income for the state. In addition, a most important role is played by previous government policies which encouraged such a development by imposing the Hartz reforms, as well as other measures such as privatizations, the loosening up of protections against dismissal, the rise in the number of hours worked per week in the public service, etc.

The result of this redistribution has been record profits for many of Germany’s major enterprises while the number of millionaires in the German Federal Republic has never been so high. At the same time, working people, pensioners and the unemployed are confronted with a continuous decline in resources and living standards.

Steinbrück presents the enforced cuts in living standards for the bulk of the population as a “mentality change” from “in addition” to “instead of.” “A new television for the World Cup, or summer holidays? A new car, or an new energy-saving refrigerator? To buy everything at once is no longer possible. This applies to the state as well as most of its citizens,” he complacently explained to the well-heeled IHK audience, which is unacquainted with making such financial choices.

At the same time, Steinbrück reminded his listeners not to ignore the implications of wealth redistribution and welfare cuts and thoughtlessly believe that the state has absolutely no role to play. He referred to increasing social disparities and tensions, the “centrifugal forces” that endanger social cohesion: “These centrifugal forces are becoming ever more evident: between poor and rich neighborhoods, between the young and the elderly, between families with children and those without, between native citizens and immigrants, between educated and less educated layers and not least between organized and disorganized interests groups. I warn against underestimating these centrifugal forces or to only take notice of them when they become detectable in better-off neighborhoods.”

Steinbrück was able to assure his audience, however, that the state would carry out its obligation for law and order and protect its “better-off neighborhoods.” “In order to preventively contain such centrifugal forces,”

the minister continued, “requires a state authorized to act.”

In this connection, Steinbrück referred to the relative distribution of budget resources: social expenditure at €128 billion opposed to €30 billion euro for “security” (army, police, etc.). He used these figures as an opportunity to ruminate over the “contradictions and self-deceptions” with respect to the social significance of these spheres of politics. Well aware of the consequences of his policies and in expectation of coming social unrest, this Social Democrat bases himself on the German police and a powerful state apparatus.

Nevertheless, despite all his warnings of social “centrifugal forces,” Steinbrück did not want to be made a scapegoat for such policies. So at the end of his speech he appealed to the assembled German business elite and media representatives not to give “the wrong impression in public that these policies had failed.” The “widespread culture of indignation” in Germany, he said, is responsible for a lack of confidence and “disconcerts people and hinders their integration and open-mindedness towards further reform measures.”

As was the case with Schröder’s cabinet, the new government is also seeking to dismiss public discontent and opposition to its policies as merely a problem of presentation!

That the government and its finance minister are determined to push ahead with their policies in the face of social resistance was made clear in Steinbrück’s closing remarks. The “new social policy consensus” which he is calling for, Steinbrück said, requires “a political show of force which probably only a grand coalition will be able to achieve.”



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