

## Debate over mass poverty in Germany

# A devastating indictment of the former SPD-Green government

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Stark figures from a still unpublished study by the Friedrich Ebert Institute (Friedrich Ebert Stiftung—FES), which has close ties to the Social Democratic Party (SPD), were revealed last weekend. The statistics immediately unleashed a torrent of debate. The FES report bears the headline “Society during the reform process” and makes clear that mass poverty is growing rapidly in Germany.

Eight percent of the population—i.e. 6.5 million people—are forced to live on an average monthly income of 424 euros (US\$535) or less. Poverty is growing especially rapidly in the east of the country with up to twenty percent—other reports even speak of 25 percent—of the population living in poverty in the states of what was formerly East Germany (DDR).

Although the study originates from the SPD headquarters, the figures released so far represent a devastating indictment of the seven-year rule by Germany’s former SPD-Green government (1998–2005). This government, led by Gerhard Schröder and Joschka Fischer, was responsible for the most dramatic redistribution of wealth from the less well off to the rich and corresponding social disaster in the history of postwar Germany.

The job market “reforms” introduced by the SPD-Green government created conditions whereby those with relatively well-paid jobs, such as skilled workers, technicians or even engineers, could undergo a rapid descent into poverty should they lose their job. After just twelve or at the most 18 months of regular unemployment benefits, the jobless then become dependent on so-called Unemployment Pay 2, which corresponds to former levels of basic social welfare. At the same time such payments are only made if “need” is identified—i.e. when the unemployed person has expended all of his or her personal savings.

Following the publication of some of the FES report’s findings, representatives from Germany’s major political parties quickly expressed their concern and worries. The response to the report in the form of statements of concern and expressions of surprise over the extent of mass poverty in Germany has been characterised by utter cynicism and hypocrisy.

The chairman of the SPD, Kurt Beck, was one of the first to respond. He told the *Frankfurter Allgemeinen Sonntagszeitung* that he was “deeply concerned” about the emergence of a social “underclass,” which is unable to break out of a vicious circle of inadequate education, unemployment, poverty and frustration. His comments simply ignore the fact that, as the prime minister of the state of Rhineland-Palatinate for many years, Beck played a key role in the SPD executive in developing, defending against criticism and

vigorously implementing the party’s so-called “Agenda 2010.”

A response to Beck’s comments came from the head of the conservative parliamentary fraction, Volker Kauder, who fulsomely stressed the importance of a debate over the “new socially deprived class.” He regarded the term “underclass” for such people as inappropriate and strictly rejected it. “This expression stigmatises and ensures that one can no longer reach these people. I prefer to speak of people with social and integration problems,” Kauder continued, and demanded “concrete assistance with integration.”

While politicians were arguing about the term “underclass,” the president of the German Chamber for Industry and Commerce, Ludwig George Braun, intervened in the debate to warn against any increase in social security benefits for the unemployed and the poor. The problem had to be tackled “at the root,” he emphasised and that means “more education and not more social welfare payments.” According to Braun the plight of those condemned to long-term unemployment and poverty has its origins in “an inheritance over decades of bad education.”

In light of the obvious responsibility of the Schröder-Fischer government for this situation, the outgoing chair of the German Trade Union Federation (DGB), Ursula Engelen Kefer, referred to that government’s “misplaced labour policy.” Kefer told German radio that the expansion of 400 euro (US\$505) low-wage jobs and so-called “one-man companies” under the SPD and Greens had helped to expand “the low wage sector and poverty.”

Kefer failed to mention, however, that the trade unions had largely supported all the social cuts incorporated in Agenda 2010. Instead she declared that as a member of the SPD’s executive committee she was very pleased that her party was now beginning to address the problem. Another SPD deputy, Otmar Schreiner, who is speaker of the SPD working group for employee issues, made similar comments. He also spoke of a hopeful step being made by the SPD.

In fact, the entire debate is politically farcical because the figures revealed by the FES study—based on what we know so far—are neither new nor surprising. The real reason for the phoney display of concern on the part of the politicians is due to the fact that the political consequences of the social crisis in Germany are increasingly obvious. Broad sections of the working population are turning away from the traditional parties.

Since the start of the “grand coalition” between the Social Democrats and Christian Democrats (CDU) at the end of last year—in fact, a conspiracy against the German working class—the two parties have lost a total of nearly 40,000 members. Since German

reunification in 1990 the SPD has lost more than 40 percent of its membership (over 400,000).

In Senate elections held last month in Berlin, the SPD was able to improve its share of the vote by around one percent. However, when one takes into account the drastic decline in voter turnout, the party actually lost 57,718 votes. In elections in the state of Mecklenburg-Western Pomerania the SPD lost a total of 146,806 votes and in the national elections one year ago a total of 2.3 million votes.

For decades in Germany after the war political stability was guaranteed by a welfare state providing a large degree of social security, watched over by the so-called People's Parties—the SPD, the Christian Democrats and the Christian Social Union (CSU)—representing a broad variety of political programs. The latest figures over social inequality and mass poverty make clear that this period is finally at an end.

Last year, when the SPD and Greens were still in government, an official report was published on poverty and wealth, which revealed that the proportion of the population officially living below the poverty line had risen from 12.1 percent in 1998 (the start of the government) to 13.5 percent—i.e. every eighth household (around eleven million people). The poverty line is based on those earning less than 60 percent of average income, i.e. under 938 (US\$1,185) euros monthly.

A few months later the German Institute for Economic Research (DIW) actually estimated the level of poverty at 16 percent—based on statistics from the year 2004—compared to 11.5 percent in 1999. That figure, according to the Institute, increased by half a percent in the course of 2005 alone—to 16.5 percent. And, according to the DIW, the newly incorporated states of the former DDR were even worse off, with poverty rates of 21.5 percent.

At the same time, the concentration of wealth increased at the top of society. The richest ten percent of households control approximately 47 percent of private wealth, an increase of approximately two percent since 1998. Meanwhile the number of indebted households has increased from 2.77 to 3.13 million.

When these figures were made known at the end of last year the main political parties unanimously declared there was no alternative to the existing policies.

Since then the social divisions in Germany have become even more pronounced. The salaries of executive board members of the 30 enterprises listed on the DAX (stock performance index) rose 11 percent last year to an average of three million euros (US\$3.8 million). According to a study published by the leading German association of private investors (DSW) earlier this week, the Commerzbank increased the salaries of its executive board members by a staggering 175 percent.

The biggest earners were to be found at the Deutsche Bank, where an ordinary member of the board earns 3.83 million euros (US\$4.84 million—an increase of 26 percent), and chief executive Josef Ackermann takes home 8.4 million euros (US\$10.6 million)—not including his share options and retirement funds. In second place were executives at the software producer SAP (3.18 million—US\$4.02 million), ahead of Daimler Chrysler (nearly 3 million euros—US\$3.8 million).

In the case of many companies and banks, these increases for leading executives are the reward for their role in implementing mass redundancies and cuts for their own employees.

The fact is that social decline and the increasing pauperization of ever-broader layers of population is the result of a deliberate policy,

which was implemented against fierce popular opposition. Thousands took part in demonstrations and protests against the Agenda 2010 and Hartz IV laws.

Following increasing opposition to its anti-social policies and drastic defeats for the SPD in a series of local elections, chancellor Schröder called early elections with the intention of handing over power to the conservative opposition. Following the creation of the “grand coalition” in the winter of 2005, the SPD subsequently took over key ministries in order to press ahead with the social and welfare cuts embodied in its Agenda 2010 program.

The current debate over increasing social decline and instability does not mean that any change of political course will be undertaken—quite the opposite. Above all, the issue at stake for the ruling elite is how to suppress the anticipated resistance to such policies.

Public confidence in existing political relations is declining rapidly. According to a recent joint report by the Federal Statistical Office and the Federal Centre for Political Education, certain layers of the population are increasingly disappointed with “democracy” and all of the political parties. In a recent poll, just 38 percent of those living in the states of former East Germany regarded democracy as the best system of government.

The report concludes that the state must intensify its intervention with regard to education and job provision. The gaps in the existing social fabric are too large and have to be systematically closed. Any guarantee of state subsidies had to be increasingly coupled to the readiness to work. The arguments employed in the report increasingly make the case for a type of national labour service.

A development arising from the globalization of production, which has already far progressed in many other countries, is now taking effect in Germany—after some delay—and proving to have explosive force. The ruling elite is very conscious of the social implications of such a development and is making the necessary preparations. Working groups have been established in the Ministries of the Interior, Justice and Defence for the purpose of changing the German constitution and permitting the use of the army for domestic interventions “for direct protection against attacks on the foundations of the community.”

The working class must also make a sober evaluation of the changed situation and break with its past social-democratic conceptions in the process of building a new socialist party.

One conclusion is unavoidable from the growth of mass poverty and social polarization: the interests of the broad majority of the population are incompatible with a social order based on private property of the means of production and the nation-state. The social crisis cannot be overcome within the context of existing capitalist relations. Demonstrations and “pressure from down below” are by themselves insufficient to halt the attacks on social and democratic rights. This calls above all for a political movement of the working population, which—completely independently of the SPD, the Left Party and the trade unions—fights for the re-organization of society on a socialist basis.



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