

# Germany holds state elections in shadow of world financial crisis

## Vote for the PSG

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*The Partei für Soziale Gleichheit (PSG—Socialist Equality Party) calls for a vote this Sunday, January 27, for its regional slate of candidates in the Hesse state elections. The candidates are Helmut Arens, 59, a chemical worker and chairman of the Hesse regional PSG, and Achim Heppding, 53, a social insurance worker and former PSG candidate for the European parliament.*

Elections Sunday in the German states of Hesse and Lower Saxony will take place in the midst of a massive crisis of the international finance system. Since the beginning of the year, the German stock index (DAX) has fallen nearly 20 percent, with a 10 percent loss in the space of the last week alone.

The crisis developed even after the US government announced a large economic bail-out programme. On Tuesday, the collapse in share prices at the Frankfurt stock exchange resulted in losses totalling 60 billion euros (US\$88 billion). The *Frankfurt Rundschau* commented: “Let’s not kid around, the credit crisis, which has spread panic through the stock markets in the last few days, is the worst crisis for capitalism since the 1930s.”

Within the space of a week, the financial crisis has revealed that the capitalist system is increasingly heading towards a catastrophe for which the established political parties have no answer. They all function as political agents of the ruling financial oligarchy, seeking to shift the burden of the economic crisis onto the backs of the working population. Whatever the rhetoric of their campaign speeches, they are all determined to impose social cutbacks and attacks that go far beyond the current range of repressive and reactionary policies.

This is why the candidacy of the Socialist Equality Party-PSG (Partei für Soziale Gleichheit) assumes such importance in the state election. It is the only party that speaks out openly about the economic and social bankruptcy of capitalism and puts forward an alternative socialist perspective. Only on this basis is it possible to advance the interests of the broad masses of society against the dictates of the profit system.

In light of this situation, it is impermissible to view the vote in Hesse Sunday—as well as all coming elections—from standpoint of tactical manoeuvring based on the retrograde perspective of supporting the “lesser evil.” A coalition of the Social Democratic Party (SPD) and Green Party, supported by the Left Party, is no alternative to the current conservative administration in Hesse. This has long been proven by the course of events.

It is necessary to confront the political repercussions of this latest financial crisis and make a sober analysis of its significance. For its part, the German government is doing its best to play down the implications of the crisis.

Following an emergency meeting of the federal cabinet, Chancellor Angela Merkel (Christian Democratic Union—CDU) uttered reassuring words to the public. The economic upturn in Germany is sustainable and

unemployment will continue to decrease, she said. Economic experts, however, made a very different assessment and pointed out that the developments over the past few days, unleashed by the subprime mortgage crisis in the US, were likely to be just the beginning of a major collapse in the financial markets.

Pieter Krahn, professor of finance at the Goethe University in Frankfurt, warned of the danger that this crisis is spreading to other sectors of the economy, in particular so-called Credit Default Swaps (CDS). “This would give the economic risks involved a completely new dimension,” he told the media. The volume of potential losses was estimated by the Basel international clearing bank to total US\$43 trillion worldwide.

Independently of whether it is possible to temporarily slow down the fall in share prices, it is already clear that the crisis is not merely of a conjunctural nature, or some sort of “healthy correction” of imbalances. The slump on the markets is the expression of a crisis that has been building up over a considerable period of time and now threatens the very basis of the capitalist system.

A characteristic of this crisis is that the “rescue measures” proposed by governments and the central banks are concentrated on lowering interest rates and therefore pumping ever more capital into the already overblown financial system. Such attempts to prevent or postpone a recession in the US and worldwide will only lead to further, even more dramatic collapses in the international finance system. It is the equivalent of treating a drug addict with ever-larger doses of heroin.

Following the East Asian financial crisis in the summer of 1997, the International Monetary Fund organised a multibillion-dollar stability programme. Then, as share prices slumped on Wall Street a few months later, the Federal Reserve moved to lower interest rates. This created the basis for the inflationary rise of stocks associated with the “dot.com” boom. When the dot.com bubble burst in 2000, interest rates were once again lowered—thus creating the conditions for the utterly speculative flood of funds into the US property market, which in turn led to the present crisis.

Anyone who thinks that the collapse in share prices and the associated massive destruction of capital are a problem only for shareholders is making a huge mistake. One must only recall the recent events in the state of Saxony. Just a few weeks ago, the Saxony State Bank was forced to acknowledge that it was saddled with “risky credits” amounting to a sum of 43 billion euros. In an emergency measure, the Saxony State Bank was sold off to the State bank of Baden-Württemberg (LBBW) and the Saxony state government assumed responsibility for a credit of 2.75 billion euros. Now, working people are being forced to pay for the bank’s dubious speculative activities through budget and social cuts.

This trend will undoubtedly intensify over the next period. Germany,

with its high dependence on foreign markets for its exports, will be hard hit by a recession in the US and its international effects. A corrupt financial oligarchy is determined to ensure that ordinary citizens bear the brunt of the debt burden involved in this crisis.

All of Germany's established parties support such a course and completely back the interests of this financial oligarchy. The crisis of the Saxony State Bank resulted from policies implemented by the state's CDU government. For its part, the previous coalition government of the Social Democratic Party and the Greens (between 1998 and 2005) introduced the most extensive economic "reforms" measures in post-war history, aimed at liberalising the German business and finance system.

The Left Party is no exception in this regard. Irrespective of the party's election demands for social reforms, wherever it has assumed power, it has consistently sought to uphold the existing social order. The present financial crisis makes a mockery of all of the party's campaign promises.

Upon taking power in the German capital of Berlin in a coalition with the SPD six years ago, the first act of the Left Party was to agree to a so-called "risk protection law." The administration in Berlin took out a credit amounting to 21.6 billion euros in order to bail out the shareholders of the bankrupt Berlin Banking Co. The credit was to be repaid through budget, jobs and wage cuts imposed on the working population of Berlin. Some 15,000 jobs were axed in public services and those workers remaining had their wages cut. Water services were partly privatised in the capital—resulting in an average 25 percent increase in water rate bills. At the same time every sphere of public services—nurseries, schools, universities, public facilities—were hit by savage cuts and closures. All of this was aimed at making Berlin attractive as a haven for companies and banks seeking low-wage labour and a large return on investments.

Above all, the present financial crisis makes clear that the interests of the overwhelming majority of the population can only be represented by a party that opposes the profit-oriented capitalist system and seeks to undertake a fundamental socialist transformation of society.

This is the significance of the PSG intervention in the Hesse state election.

Our participation is an important step in the construction of an international party that opposes the dictates of the capitalist system and the drive to war, that defends basic democratic rights and puts forward a programme for the overcoming of poverty and the implementation of social equality. A party that makes it unequivocally clear that the stranglehold of the financial oligarchy can be broken only through the mobilisation of millions in the political struggle to establish genuine democratic control of the economy based on a revolutionary transformation of society.

Under the heading, "Banking crisis, social misery, war—the failure of capitalism," we wrote the following in our election manifesto: "The capitalist system can no longer be reconciled with the most elementary needs of the overwhelming majority of the population. The Hesse election is taking place at a time when every day brings more news of the social devastation produced by the profit system.

"The American credit crisis has shaken the European and international banking system to its foundations.... Reality daily disproves the myth that the free play of market forces will produce social progress. Capitalist corporations and the capitalist market cannot organise production rationally. They subordinate all human needs to the drive for profit and the personal enrichment of a privileged minority. The result is relentless social decline, mounting tensions between the great powers, militarism and war."

During recent weeks, the election campaign has also revealed the true extent of the degeneration of the political system in Germany. As was the case in the twentieth century, once again the reaction of sections of the German ruling elite to deepening social and financial crisis is to spread the most noxious forms of racism.

Characteristic of this phenomenon is the vile racist campaign initiated by Hesse Prime Minister Roland Koch in the course of the current election campaign. Koch sought to exploit the brutal attack on a pensioner by two immigrant youth before Christmas to mobilise the most backward sentiments and social layers. Koch's affinity for extreme right-wing views are no secret, but nevertheless his latest attempt to whip up a witch-hunt-type atmosphere against immigrants and their families was able to win the support of the German chancellor, Angela Merkel, and former chancellor Helmut Kohl (CDU).

This goes beyond merely support for a candidate in an election campaign. A series of leading conservative politicians took centre stage to demand tougher laws against juvenile offenders and the speedy deportation of "guilty foreigners." Within a few days, the entire campaign had gathered momentum and was turned into a systematic attempt to introduce law-and-order policies aimed at strengthening state repressive powers. In particular, the Bavarian Christian Social Union lined up behind Koch with a series of demands designed to beef up state forces.

The CDU and CSU both anticipate an intensification of social conflict as a result of the international finance crisis and are preparing accordingly. They saw the election of the right-winger Nicolas Sarkozy in France last year on the basis of a law-and-order programme and are hoping to pursue a similar course in Germany.

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There are clear indications of broad popular opposition to such a right-wing development and rejection of Koch's latest campaign. According to opinion polls, support for the Hesse CDU has dropped continuously, and the media reports a "noticeable left-wing mood" in the constituency.

The SPD's leading candidate, Andrea Ypsilanti, who was until recently regarded as unelectable, is now running neck-and-neck with Koch. Some commentators already see her in the lead and eagerly refer to the possibility of a "red-green (SPD-Green Party) alternative to Koch." (*Frankfurt Rundschau*).

Those who advance such an "alternative" are deliberately deluding the electorate and covering up the most important political lessons of the past decade during which the SPD played the leading role in federal politics—first in a coalition with the Greens (1998-2005), and now for nearly three years in a coalition with the CDU. The social misery affecting millions of German families is the direct result of a decade of social-democratic politics.

Ten years ago, the demand was raised: "The CDU government has to go!" An SPD-Green government was put forward as an alternative to 16 years of rule by Kohl and the CDU. But what was the result? The SPD and the Greens introduced unprecedented welfare cuts in their seven years in government. With massive tax reductions for big business, on the one hand, and miserly Hartz IV social welfare payments, on the other, they drove a wedge through society and inflicted enormous damage to the German social system. The results have been catastrophic.

The claim by the Left Party that it can pressure the SPD to the left is completely fraudulent. The SPD remains firmly attached to the key elements of its anti-social Agenda 2010 policy. Tiny changes, such the extension of welfare payments for older skilled workers and the long-term unemployed, are part of the party's cynical election strategy. In reality, the Left Party has assumed and shared responsibility for the right-wing policies of the SPD whenever it has had the opportunity to share power in a coalition. It has repeatedly proved its loyalty to the interests of the banks and big business. Berlin is the living proof.

The balance-sheet of an SPD-Green state government in Hesse—with the possible support of the Left Party—would be no better than that of the SPD-Left Party coalition in Berlin.

The true role of such a "left government"—whether at a state or federal level—would be to lull the working class with the help of the trade unions,

while at the same time systematically implementing a programme of intensified welfare cuts. The resulting social misery and despair, coupled with political disappointment and frustration, provide a fertile breeding ground for the nostrums of the most right-wing political forces.

This is the lesson to be drawn from the other side of the Rhine. Following a massive strike movement in France in the middle of the 1990s, Lionel Jospin came to power in 1997 as the representative of the left wing of the Socialist Party. Jospin's election victory was enthusiastically hailed by many radical groups and leftists. Jospin continued a policy of welfare cuts, privatisations and other attacks on workers—all packaged in left-wing rhetoric.

The bill came due five years later. In the course of the presidential elections in 2002, Jospin obtained fewer votes than the neo-fascist Jean Marie Le Pen, and the second round was fought out between Le Pen and the acting Gaullist president at that time, Jacques Chirac. On this basis, Nicolas Sarkozy began his own campaign for the presidency, and following his election last spring was able to recruit a host of top Socialist Party politicians to his cause.

In light of this experience, it is necessary to assume a politically critical attitude in the forthcoming election. The hostility to the conservative Roland Koch is entirely understandable and to be welcomed, but workers should not allow themselves to be lulled into supporting the demagogues of the SPD and the Greens.

It is necessary to make a very sober evaluation of political developments and recognise that none of the established parties seriously and consistently represents the interests of the population. While capitalism shows its true face in the present financial crisis and revives the policies of extreme exploitation, militarism and war, the working class must return to its revolutionary socialist traditions.

We therefore call upon all our readers and supporters in Hesse to vote for the candidates of the PSG on Sunday! At the same time, casting a vote is by itself not sufficient. Study the programme and the history of the PSG, and join the struggle to build an international socialist party.



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