German parties back attack on pension system

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The German Economics Minister Rainer Brüderle recently called for the abolition of the so-called “pensions guarantee”.

The “pensions guarantee” was introduced by the grand coalition government of the Christian Democratic Union (CDU) and Social Democratic Party (SPD) in 2009. The measure was aimed at allaying the great uncertainties, especially among the older generation, following the collapse of the financial markets and the consequent recession in the global economy.

However, the measure had nothing to do with guaranteeing pensions. It was meant to prevent pensions falling in tandem with the decline in real wages, ending the previous link between the two. If average wages continued to fall, pensions were to remain at the old level. To compensate for the measure, pensions would only rise in subsequent years half as quickly as wages, until the previous relationship was restored again.

The scheme thus served merely to smooth over the effects on pensions of a reduction in real wages. Effectively, it is funded later by pensioners themselves through the slower increase in pensions. That Brüderle, who is also deputy chair of the Free Democratic Party (FPD), now calls for the abolition of this “pension guarantee”, proves that he believes there will be a long-term decline in wages and wants to reduce pensions accordingly.

This is also how the *Badische Zeitung* sees things. The paper wrote that the “pension guarantee” did not break the link between wages and pensions, but merely brought about a “delay”. This would only become a “real problem” if wages continued sinking for years.

Critics have pointed out that under the current system, the value of pensions is constantly being eroded. Even before the onset of the recent economic crisis, pensions were not increased for three years, and then only minimally for two years, meaning they did not even keep pace with inflation, let alone the additional burdens placed on pensioners by the past three federal governments.

Ulrike Mascher, president of the social support group VdK, representing the disabled, the chronically ill, pensioners and patients, responded to Brüderle’s claims that the link between pensions and wages could not be permanently broken with the words: “Pensions have not kept pace with wages for a long time”. The decline in the value of pensions will also continue as a result of future pay freezes and the significant additional contributions to the statutory health insurance schemes.

Brüderle received support for his demands from the representatives of big business, who had already been critical of the introduction of the pension guarantee. At that time, the head of the Cologne Institute for Business Research (IW) accused the government of acting only for “electoral reasons”.

Speaking to the business weekly *Handelsblatt*, the Confederation of German Employers’ Associations (BDA) said Brüderle’s criticisms were “justified” and complained about the one-sided burden being placed on younger people. The BDA demanded that the high additional costs of 1.7 billion euros annually resulting from the pension guarantee be cut back “soon”: “Future pension increases should be offset not only by half, but in full”.

Initially, it appeared Brüderle had found little political support for his demands, and had been heavily criticized in some quarters. However, he is now increasingly winning agreement. One of the first advocates of abolition was Michael Fuchs, vice chair of the CDU/CSU parliamentary group, which is little more than a mouthpiece for big business.

This was followed by SPD politician Peer Steinbrück, who had implemented the pension guarantee as the then minister of finance. Steinbrück told North German Radio, “I shouldn’t have joined in!... I finally voted in favour in the cabinet, but in terms of intergenerational equity it was a wrong decision”.

The state premier of Saxony, Stanislaw Tillich, spoke up for the CDU. He told the *Hamburger Abendblatt*, “There should no longer be a pension guarantee in the long term, because such a burden cannot be placed on young people for such a period. It was only supposed to be a temporary measure”. Tillich added, “With an ageing population, we should discuss whether we need a basic pension that is financed entirely through taxation”.

The cross-party support for the abolition of the pension guarantee shows that, despite the propaganda to the contrary, there appears to be no one in ruling circles who believes that the economy will return to “normality” from the deepest economic crash since the 1930s.

With rising unemployment, falling wages, and the resulting decrease in contributions to pension insurance, the government would increasingly need to fund pensions if they are not to fall in value. In anticipation of such a development, big business and political leaders are pushing for the removal of all obstacles for future enforced cuts in pensions.

The proposal by state Premier Tillich for pensions to be financed purely through taxes should be seen in this context. The abolition of the dual funding of pension insurance by employers and employees would not only considerably reduce so-called ancillary wage costs, but the resulting additional burden on the state would inevitably lead to calls for further cuts in pensions, and the complete privatisation of pension provision in the long term.

The views advanced by CDU politician Stanislaw Tillich in favour of the Free Democratic Party Economics Minister Brüderle also send a signal regarding the internal strife within the CDU/CSU-FDP coalition. As state premier of Saxony, Tillich represents the only CDU stronghold in the former East Germany, lending his voice a significant weight within the CDU/CSU.

Tillich has been state premier since 2008, but previously was hardly known outside Saxony. His rise began at the side of his predecessor Georg Milbradt during the crisis that engulfed the state-owned bank Landesbank Sachsen. When this bank was liquidated, he assumed the post of state finance minister, as his predecessor Horst Metz was sacrificed.

Together with Milbradt, Tillich then sold off Landesbank Sachsen—unconstitutionally as the Saxony Constitutional Court made clear in hindsight—to Landesbank Baden-Württemberg. Completely discredited by the Landesbank scandal, Milbradt finally resigned and named Tillich as his successor.

Since his re-election in 2009, Tillich has gained a national reputation as a pro-business politician. In the so-called sponsorship scandal, it came to light that Tillich, in return for appropriate sponsorship (i.e., party donations) would arrange confidential conversations and other services. Tillich then gained an image as a ruthless enforcer of austerity measures, when he sought to cut social, educational and cultural spending by 1.7 billion euros in two years.

He is now seen as a potential CDU deputy national chairman, and is considered an important figure on the right wing of the party. At age 50, he would be able to play a leading role for some time.

Stanislaw Tillich is a prime example of the bureaucrats from the Stalinist system that ruled in former East Germany, who have since evolved into unscrupulous representatives of the bourgeoisie. The son of a leading regional Stalinist party official, he rose in the East as deputy chair of the District Council in Kamenz. As a member of the East German CDU, he attended the “German Academy of State and Law”, where most of the East German political elite were trained. After the fall of the Berlin Wall in 1990, he led a “medium-sized enterprise”, until turning exclusively to politics.