Germany: Vote “No!” on Hesse credit-cap clause

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On Sunday, March 27, citizens of Hesse will vote on a change to the state’s constitution. State elections take place this weekend in Baden-Württemberg and Rheinland-Pfalz, but the election in Hesse permits the electorate to decide whether or not there should be a public-borrowing prohibition clause in the state constitution.

In the summer of 2009 the German government at the time, a coalition of the Christian Democratic-Christian Social Union (CDU/CSU) and the Social Democratic Party (SPD), had already written such a debt-restriction clause into the country’s national constitution. This was shortly before the national elections and not long after the outbreak of the global financial crisis. The government was preparing to take on massive public debt in order to donate billions to rescue the banks, and wanted to recoup these sums as soon as possible from the pockets of working people.

Over the last couple of years, public borrowing by the state of Hesse has risen steeply, and stands today at €39 billion. State debts are expected to rise by a further €2.3 billion in 2011. In addition, the state has increased its loan surety guarantees for local enterprises from €300 million to €3 billion since 2009. The state government is afraid that it would not be able to afford these payments, should failing enterprises actually claim them. These are the underlying reasons why the Hesse parliament, politicians and the corporate elite want to enforce drastic cuts through statutory limits to public borrowing.

This proposed capping of public borrowing in Hesse would prohibit the state from taking out new loans to balance its budget after 2020. Article 141 of the Hessian constitution would be amended to read: “The budget is to be balanced without the use of credit, regardless of the income and expenditure responsibilities of the state parliament and local councils.” The only two exceptions to this rule would be natural catastrophes and “extraordinary emergencies” (by which is meant emergencies, such as the financial crisis two years ago).

With this credit-cap, the ruling politicians are consciously and voluntarily depriving themselves of the ability to deal with public finances. The prohibition against further public borrowing will have consequences for social, education and health services, street maintenance and public provision in general. The credit-cap will be used as the justification for increasing the costs of energy, water, public transport, sanitation, childcare, sports facilities and many other social services.

At the same time, top-level taxation rates have been systematically reduced for many years. Not only the CDU and the free-market FDP, but also the Green Party and the SPD, have implemented staggering tax-reduction policies over the last few years, and these have been the basic cause of the increasing public debt burden. Corporation tax, which affects mainly public and private limited companies, has decreased over 20 years from 56 percent in 1989 to 15 percent in 2009. None other than the SPD-Green coalition was responsible for lowering the top-income tax rate from 53 percent in 2000 to 42 percent in 2009. VAT, on the other hand, which particularly hits the lower paid, rose from 14 percent in 1991 to 19 percent in 2009.

Meanwhile, the number of millionaires is increasing. According to an income study, the number of millionaires in Hesse alone has risen, despite the bank crisis, by 11 percent to nearly 80,000. The credit-cap will further increase the wealth of big business, banks and speculators, because the reduction in public provision will increase demand for private services. In addition, the legislation will ensure that any politicians who attempt to make concessions to pressure from the working masses, and oppose these anti-social measures, will be criminalised and threatened with legal action.

On December 15, the four biggest political fractions in the Hesse parliament (the CDU, SPD, FDP and Green Party) all voted to implement a credit-cap policy in the state constitution, even though there was not the slightest legal requirement to do so.

Volker Bouffier (CDU), Hesse presidential minister since his predecessor Roland Koch left to work in business last year, has taken a strong stand in favour of the introduction of a credit-cap. He said that a vote for the latter would be “by far the most important decision for our state”. In an interview with the *Frankfurter Rundschau he added that the introduction of the credit-cap policy in Hesse would be “no walk in the park”. For this reason he was hoping for a vote of at least 60 percent in favour of the policy.*

Big business associations are also supporting the introduction of a credit-cap. The federation of Hesse business associations, the chamber of commerce and industry and business representatives have issued a leaflet calling for a “Yes” vote for the credit-cap. In this leaflet, they urge the state to cut back on public service personnel costs, which represent 40 percent of the state’s outgoing expenses.

The SPD themselves organised a party conference for the end of last November to discuss the issue of a credit-cap. At this conference, Thorsten Schäfer-Gümbel, the leader of the SPD fraction in the Hesse parliament, was able to get a large majority vote for the policy by arguing that the credit-cap would force the state government to increase income through raised taxes and charges. He said it would be a chance to achieve more social justice.

With unparalleled cynicism, the corresponding SPD resolution states that “the growing social divide in which the rich are getting richer and the poor, the middle class and public provision are getting more impoverished, must be overcome.” In reality, the introduction of a credit-cap will lead to exactly the reverse: instead of taxing the rich to benefit the whole of society, the government will voluntarily limit its own ability to negotiate funding of public provision.

As it is aptly described on a opposition web site: “The credit-cap is a component part of a neo-liberal policy which bases itself upon a freer market with fewer state regulations, upon reduced taxation and reduced public services, upon the strengthening of the strong and a weakening of social solidarity.”

The Green Party in Hesse is openly supporting the credit-cap and is already making concrete suggestions for where future cuts could be made: civil service pensions should be cut and state parliament and local council administrations reduced. On their web site they state: “We in the Green Party support the negotiated basis of the credit-cap and commit ourselves to making it part of the basic constitution of Hesse.” Once again, the true class allegiances of the Green Party are apparent: the petty-bourgeois protest party of the 1970s has become a full-blown parliamentary party for the well-off.

The trade unions verbally declare they reject the credit-cap, but in deeds they are noticeably defensive. They have made no attempt to organise a public campaign. The chairman of the Hessian Trades Union Council, Stefan Körzell, is arguing that there is no need for a change to the state constitution because the national constitution has already been changed. The DBB (civil service trade union) has reacted even more meekly. Walter Spiess, chairman of the DBB, announced that the DBB is not opposed to austerity policies. He told the *Frankfurter Rundschau*, “We certainly want to make savings. But the national law is sufficient.”

The Left Party has voted in the Hessian parliament against the credit-cap, but that only exposes the party’s double-talk. In every case where they have votes to lose or positions in power, they agree to spending cuts. They have been in power with the SPD in the Berlin city council for 10 years and have implemented drastic social spending cuts. They are trying to show the conservative parties that they can implement cuts better and more effectively, no matter how shocking the social consequences. In the state of Brandenburg the finance minister (Left Party) has made one-fifth of all public service workers redundant.