Germany’s rich profit from the financial crisis

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State indebtedness and social spending cuts are the result of the looting of public finances by the rich. This is the conclusion to be drawn from the fourth Poverty and Wealth Report issued by the German government. Parts of the study were cited in the *Süddeutsche Zeitung* newspaper earlier this week.

According to the report, the net assets of the German state have fallen considerably during the last two decades: by a total of more than 800 billion euros. Over the same period, net household wealth has more than doubled from just under 4.6 to around 10 trillion euros. Included in the estimates of wealth are real estate, investments, land and claims from company pensions.

Dividing this figure by the German population of 81 million, one arrives at a per capita average of 123,000 euros [$US 160,000]. In reality, these assets are very unevenly distributed. The wealth of the top ten percent of households, according to the report, comprises “more than half of total net assets”.

The proportion of wealth monopolised by the top one-tenth has “increased further over time”. In 1998, the wealthiest ten percent controlled 45 percent of all assets, by 2008 this figure had increased to over 53 percent. Since 2008 this proportion has grown even more.

The increase in personal assets for the top ten percent is the result of massive tax cuts and the bail-out of ailing banks with public money. A major blow on behalf of the rich was struck by the Social Democratic Party (SPD)-Green coalition headed by Gerhard Schröder (1998-2005), which lowered the maximum tax rate on income from 53 to 42 percent.

The increase in private wealth of 5.4 trillion euros during the past 20 years is sufficient to pay off the entire debt accumulated by German cities, states and the federal government, estimated at 2.1 trillion euros, more than two and a half times. The total sovereign debt in the euro zone roughly corresponds to the total value of private assets in Germany, namely 10.4 trillion euros.

The financial crisis has accelerated the enrichment of the wealthy at the expense of the public purse. Many newspaper have commented on the report with the headline “the rich are wealthier despite the financial crisis”. This conclusion, however, is false. The rich have become wealthier *as a result of* the financial crisis. As the government report acknowledges, the state-organised bank bailouts and stimulus measures, which have massively reduced public assets, have led to a clear “shift in private assets and liabilities in state budgets”.

In plain English: the bailouts for banks and governments have ended up primarily in the bank accounts of the rich, whose debts have been “socialized”, thereby enabling them to increase their fortunes. According to government data, private net assets increased from 2007 to 2012, i.e., the period since the eruption of the financial crisis, by 1.4 trillion euros.

While wealth piles up at the top, poverty is spreading within the rest of the population. The government study notes that the poorest half of all households in Germany possess just over one percent of total net assets.

Some 15.3 percent of the population are considered “at risk of poverty” and the spread of such poverty has increased rapidly in recent years. In 2005 the equivalent figure stood at 12.5 percent.

Also, more than 20 years after the reintroduction of capitalism in the former East Germany, there still remain considerable income and wealth differences between eastern and western Germany. It has narrowed somewhat, but based on per capita calculations, western households still posses more than twice as much as their eastern German

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neighbours.

The growing gulf between rich and poor also finds expression in wages. The government statistics reveal that while income "at the top" has increased, the bottom 40 percent of all full-time workers suffered a real loss of wages when inflation is taken into account.

This development is directly linked to the growth of so-called atypical employment: part-time jobs of up to 20 hours a week, "mini-jobs" paying 400 euros [$US 519] a month, short-term contracts and temporary employment. Currently, a quarter of the German workforce is employed on such a basis.

The role played by the cheap labour sector in increasing poverty is indirectly confirmed by the government report. After details of the report emerged, the government decided Wednesday to increase the current rate of 400 euros for mini-jobs by 50 euros—thereby encouraging a further expansion of the low-wage sector.

The report also gives an overview of other social issues. It confirmed once again that educational opportunities in Germany are more dependent on the social status of parents than in nearly any other country. Inequality in education in turn reproduces and reinforces inequality in income and wealth. The total of 7.5 million functionally illiterate people in Germany (i.e., those who have attended school, but can barely read or write) is an indictment of the education system.

According to the Poverty and Wealth Report, the income and asset situation of the elderly, on the other hand, is "above average" with only 2.45 percent of the approximately 17 million people over 65 dependent on state provision in old age. This figure, however, drastically underestimates the extent of poverty amongst the elderly, who in many cases are reluctant to claim state benefits. According to an analysis by the researcher Dr. Irene Becker, the number of pensioners entitled to claim support is at least one million. This is more than double the figure given in the government report.

In addition, an increasing number of retirees are forced to take part-time work in order to make ends meet—and are thereby ineligible for state benefits. The number of those 64 years and older with some sort of part-time job is currently estimated to have risen to 800,000.

The situation looks even bleaker for the next generation of retirees. The expansion of the low-wage sector, together with the cuts made to statutory pensions in recent years (primarily at the hands of a Social Democratic labour minister), will inevitably lead to growing rates of poverty amongst the elderly in the near future.

While the standard pension currently is about 50 percent of the net wage, this figure is due to sink to 43 percent by 2030. According to data from Minister of Labour Ursula von der Leyen (Christian Democratic Union), those working for a salary of 2,500 euros [$US 3,250] gross per month and who have worked 35 years full-time will receive a pension of just 688 euros. Von der Leyen points out that this new generation of retirees must "apply for aid from the welfare office as soon as they begin retirement". The Federal Statistical Office reckons that in 2010 more than one-third of all full-time employees in Germany earned less than 2,500 euros a month.

Von der Leyen has promoted the notion of tax-financed pension grants, which would provide retirees a monthly pension of 850 euros. In fact, her proposal is utterly deceptive. Only a small number of people would benefit and the figure involved—850 euros remains inadequate to live on.

Claimants for the proposed pension would have had to have paid their own pension contributions for 45 years, worked for at least 35 years and also contributed to a private pension scheme. Even von der Leyen herself assumes that just over 17,000 people would benefit from her highly publicised proposal.

The final version of the Poverty and Wealth Report published by the government every four years since 2001 is hotly disputed within the ranks of government. The Economics Ministry, led by the neo-liberal Free Democrat Phillip Rösler, has refused to give its approval to the report issued by the Labour Ministry, fearing that it could provide arguments for taxing the rich. Economic Minister Philipp Rösler (FDP) declared bluntly: "The Federal Economics Ministry will not concur with demands for more redistribution".

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