

# German Grand coalition government is planning austerity budget

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Negotiations on forming a grand coalition in Berlin are coming to a close. According to Chancellor Angela Merkel, the Christian Democratic Union (CDU), Christian Social Union (CSU) and Social Democratic Party (SPD) want to present a full coalition agreement on November 27. If it is agreed to by the various party committees and, in the case of the SPD, by the party membership, the new government could be sworn in before Christmas.

Sixteen working groups with 300 members have been negotiating for almost two months. The grand coalition round-table, with 77 members, including the Chancellor, several ministers and state premiers, the party leaders and general secretaries, met on Thursday for the seventh time. This was mainly for public relations purposes, however.

The real decisions are being made elsewhere: in the Finance working group, headed by Finance Minister Wolfgang Schäuble (CDU) and Hamburg Mayor Olaf Scholz (SPD), and in meetings of the three party leaders. They decide upon the so-called “F-list”, which comprises all projects costing additional money.

This week, the Finance working group agreed on a structurally balanced budget with new debt of a maximum of 0.35 percent of Gross Domestic Product for the coming year, and a budget without any new debt from 2015 onwards. In this way, both the national debt ceiling as well as the EU’s targets will be strictly adhered to. Total debt will fall by the end of 2017 from 80 percent at present to under 70 percent.

Since CSU negotiator Markus Söder has consistently blocked raising any additional revenue by higher taxes or new debts, there is hardly any money available for the many projects other working groups have agreed to. According to calculations by the Finance Ministry, these would cost around €50 billion a year, while less

than €10 billion is available in the budget.

“Much of what has been set down in the working groups cannot be realistically assessed. There will be significant cuts in the next week,” CDU-CSU parliamentary leader Volker Kauder (CDU) told TV station *n-tv*.

The F-list includes mothers’ pensions (€6.5 billion), care reform (€5 billion), the increase in child benefit by €35 (€7.6 billion) and transport investment of €2.7 billion. Decisions on what to cut will be taken by the party leaders—Angela Merkel (CDU), Horst Seehofer (CSU) and Sigmar Gabriel (SPD) meeting in a “night of the long knives”, as one minister said.

Finance Ministry experts sent a message that the recent plans laid out in the coalition talks could cost up to 1.8 million jobs.

The BDI employers’ association has also complained that the working groups’ plans endanger German industry. In a joint interview with *Bild am Sonntag*, Daimler CEO Dieter Zetsche, BMW boss Norbert Reithofer, VW CEO Martin Winterkorn and Opel CEO Karl-Thomas Neumann warned against any “social largesse” and openly threatened to relocate jobs abroad.

In this way, they support the iron-clad austerity policies of the future government, over which the three coalition partners have long agreed. The ritual is well known from the collective bargaining of the unions and employers. There too, employers regularly complain about the “excessive demands” of the unions, and complain about the threat to Germany as an industrial base, and then in “tough negotiations”, which often last until early in the morning, settle on a “fair compromise” agreed to long before with the unions.

It is increasingly clear that the new government will continue and deepen its predecessors’ attacks on social and democratic rights in Germany and throughout

Europe. To suppress resistance against this unpopular policy, they will rely not only on an 80 percent majority in the Bundestag (parliament), but also on the trade unions and the Left Party.

The introduction of a nationwide minimum wage, on which the coalition partners have already agreed, is a mechanism for this purpose.

The SPD is trying to present the minimum wage as a great social achievement. SPD leader Sigmar Gabriel promised the delegates at the party conference last week that he would not sign a coalition agreement that does not contain the introduction of a minimum wage of €8.50. The German Trade Union Federation (DGB) and the Left Party are expending a great deal of effort lobbying for it.

This demand is popular because many see it as promising higher incomes and a reduction in poverty. Polls show 80 percent support for a statutory minimum wage.

In reality, a minimum wage will not meet these expectations. First of all, €8.50 is ridiculously low. With a 39-hour week, it would produce a gross monthly wage of €1,436. That is not enough for a single earner to support a family. The Economic and Social Research Institute (WSI) of the Hans Böckler Foundation has calculated that such a minimum wage, compared to the purchasing power of the minimum wage in other European countries, is really only €7.14 and thus lies far behind the French, Belgian and Irish level, on about the same level as in Britain.

A statutory minimum wage would also do little to change widespread poverty. The Federal Employment Agency has calculated that no more than 300,000 of the 1.3 million who are working and receiving supplementary welfare payments would be affected. The remaining million would still have to apply for supplementary welfare payments in addition to their earnings, either because they have a family or are not employed full time.

Moreover, the minimum wage is not expected to be introduced until 2016, and will contain numerous exceptions. The CDU-CSU wants to leave its determination to an independent commission and allow for regional and sectorial differences.

Even if the minimum wage is legislated, there are numerous opportunities for companies to avoid having to pay it, as an expert from the German Institute for

Economic Research told *tagesschau.de*. This could be through unpaid overtime, piece-work or contracts for services. For example, about a million low wage workers today are not paid by the hour but according to their output, such as the number of newspapers delivered. Taxi drivers too receive a revenue share and not an hourly wage. This model can be easily extended to other jobs.

Above all, the minimum wage will be used to push down wage levels as a whole. This is true not only for industries that have already implemented a legally binding minimum wage, which usually hovers around €10. Experiences from other countries show that the minimum wage is used as a benchmark in collective bargaining.

In France, where there has been a statutory minimum wage since 1950, about 15 percent of all employees work for the legal minimum. The average wage level is closer to the minimum than in any other country. At €9.43 the SMIC, as the minimum wage is called in France, is higher than that currently under discussion for Germany. However, around a fifth of this amount is deducted directly for social insurance payments.

In Britain, the Labour government of Tony Blair introduced a statutory minimum wage in 1999 as part of a comprehensive attack on the rights and gains of the working class. Although it is only £6.31 (€7.57 euros), and is even lower for young people, some 1.3 million work for the legal minimum. 4.8 million earn less than the minimum level of subsistence, the so-called *living wage*, which is pegged at £8.55 in London and at £7.45 outside the capital.

The most important task in introducing a minimum wage in Germany, however, is to integrate the unions and the Left Party in the grand coalition. They are to be used to enforce the next round of social attacks on the working class. The DGB has already signaled its support. The Left Party is ferociously wooing the SPD, and thereby integrates itself into the grand coalition.



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