

# German parliament passes austerity budget

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Last week, the Bundestag (federal parliament) passed a drastic austerity budget for the coming year. Based on the 80 percent majority the governing parties enjoy, the deputies voted for a set of figures that mean the social redistribution of wealth from those at the bottom to those at the top.

At the beginning of the week of budgetary debates, Finance Minister Wolfgang Schäuble (CDU, Christian Democratic Union) spoke about a historic decision. For the first time since 1969, the federal government would have no new debt. But the “black zero” was not a fetish, nor an end in itself, he said. What matters is that we stick to a balanced budget in the future, he added. The German austerity budget sets an example for “more fiscal discipline” in Europe.

The federal government’s austerity measures are regarded critically in some financial and business circles. On *Spiegel Online*, the President of the German Institute for Economic Research (DIW) Marcel Fratzscher responded to Schäuble, criticising him for the politics of the black zero, which were counterproductive and sent the wrong message for Europe and the German economy.

Fratzscher is a member of the Advisory Board of the Ministry of Economics. His call on the federal government to “rethink and redirect”, and counteract an economic slowdown with a clear commitment to a more expansionary fiscal policy, carries some weight in economic circles.

In the so-called general debate on the budget last Wednesday, Chancellor Angela Merkel (CDU) stood firmly behind her finance minister. In her speech she praised the proposal to take on no new debt in the coming budget, and hailed the black zero as a great success. Merkel said, “For decades, the state has lived beyond its means, and now we are putting an end to this.” Despite a “bleak economic outlook” this was realistic. Moreover, “solid financial management” and

a policy to promote growth were not opposites, she said.

As the first speaker of the opposition, the deputy chair of the Left Party Sahra Wagenknecht replied to Merkel. She repeated largely verbatim the criticism of Marcel Fratzscher and other speakers from various economic institutions, and praised the Left Party as a better representative of business interests. She accused Merkel of the “politics of stalemate” and economic incompetence. The black zero was an expression of “zero competence”.

But Schäuble’s austerity diktats and the Left Party’s call for investment programmes are only the right and left boot of capitalist exploitation, respectively. The ruling elite takes recourse to one or other economic policy depending on how it suits them best to enforce their profit interests. Investment programmes also are geared to create conditions to enforce “reform programmes” and welfare cuts.

There are two main reasons for the stubborn adherence of Schäuble and the grand coalition in Berlin to tough austerity measures. First, the government wants to use the economic crisis to intensify the social cuts in Germany and throughout Europe. It is preparing a new round of the social counterrevolution. It has its sights on wage agreements, statutory holiday entitlements, protection from dismissal, sick pay, maternity benefits, etc. It regards these as competitive disadvantages internationally, which need to be addressed urgently.

Second, despite currently positive economic data, some German and European financial experts expect a worsening of the crisis in the United States. The American economy will not remain endlessly in a position to take advantage of the global role of the dollar to shift its problems onto the rest of the world.

The federal budget adopted last week and the intensification of austerity measures are part of the

preparation for a worsening of the European and international crisis. However, the “secret” of the black zero is not visible at first glance. Only on closer inspection does it become clear that the level of new debt is falling mainly because large portions of government spending do not appear in Schäuble’s budget, although the public has to pay for them. A gigantic shadow budget is growing. Many services that would normally be funded by the government are being shifted onto the social insurance funds, and thus burden the contributors.

In 2014-15 alone, Schäuble will save approximately €6 billion by reducing the grant paid to the health insurance companies. The impact will not be felt immediately, as long as they have sufficient members and thus sufficient paying contributors. But so far, the benefits paid from these government grants have been used to provide support for the general good, such as the free co-insurance of children.

Last spring, when the federal cabinet rubberstamped the draft budget, an article on *Zeit Online* pointed out that contributors to the social insurance funds were being burdened with an additional €40 billion. “The additional expenditure of the coalition for mothers’ retirement payments, for those retiring at 63 and the planned care reforms hardly impact on the budget—but do so all the more on the social insurance funds. The price is paid by the insured in the form of higher contributions or a loss of contribution reductions.”

The article points out that this shift in government responsibility away from taxes onto social security contributions not only threatens the stability of state finances, but also the stability of society, since this development is deeply antisocial. “For contributions to the social security system, what applies is that the poor are being asked to pay proportionately more than the rich”, the article concludes.

With rising incomes, the tax burden increases, while low earners are largely or wholly exempt from tax. Social insurance contributions, however, must be paid even on smaller incomes and have an upper limit. Above a gross income of €4,050 a month, there is no further rise in public health insurance contributions.

A study by the Rhine-Westphalia Institute for Economic Research (RWI) also refers to this development, and reports that households with an annual income of more than €200,000 contribute

around 14 percent of total annual revenue from income tax, but only about 1 percent of the revenue for social insurance contributions.

There is something diabolical about Schäuble’s “black zero budget”. Through a series of fiscal measures, it sets in motion a development that systematically and relentlessly throws the growing burden of the economic crisis onto the poorest in society. It will drive millions of people, countless families, children, the sick and elderly into poverty, misery and despair.

In Europe, this policy has already created tremendous social devastation. Countries such as Greece, which had a well-functioning health, education and social system until recently, were completely ruined by massive austerity programmes. In the past three years, the Greek health budget was cut in half; 35,000 doctors, nurses and doctors were dismissed and 100 of 183 hospitals closed. The suicide rate has more than doubled, according to official figures. Even Italy, Spain and Portugal have seen a rise in unemployment, poverty and misery.

Just a few weeks before the start of the budget debate in the Bundestag, it was revealed that in Germany too, 13 million people are at risk of poverty. This represents 16.1 percent of the population, as the Federal Statistical Office reported. Among lone parents it is 35.2 percent who are at risk of poverty, and 31.9 percent among people living alone.

The budget adopted last week will only intensify this development. In anticipation of expected resistance, spending on homeland security has been increased in addition to military spending, with a focus on strengthening the Federal Police.



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