

# The German government's “relief package” means billions for corporations and wage cuts for workers

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On Sunday, Germany's coalition government presented its so-called “relief package.” It includes the clear statement that the government will continue the confrontation with Russia at all costs and will pass the burden of the war on to the population. While large corporations continue to receive new financial aid, despite pocketing billions in profits, workers, pensioners and students face drastic income losses.

When presenting the relief package, the leaders of the “traffic light coalition”—the Social Democratic Party (SPD), Liberal Democratic Party (FDP) and Greens—remained extremely vague, refusing to provide concrete figures. The alleged total of €65 billion was not broken down into the various measures and was based on mere estimates. According to Finance Minister Christian Lindner, the measures will only burden the federal budget in 2022 and 2023 with an additional €32 billion.

A large part of this sum is likely to go to businesses and corporations. All aid for companies would be extended until December 31, according to the coalition partners' joint paper. In addition, “energy-intensive companies” would be supported, “sustainable companies” would be stabilized and private housing companies, which have raked in record profits at the expense of tenants in recent years, would be given development loans. In addition, there is to be financial support for “efficiency and substitution measures” to enable corporations to become less dependent on natural gas imports.

While companies will receive further gifts worth billions, the fabulous profits of numerous large corporations remain untouched. The businesses listed on Germany's Dax index alone increased their profits by 21 percent in the first quarter of the year. Skimming off the “windfall profits” of energy producers, announced by the coalition in the “relief package,” will not change this in the slightest.

This measure merely slightly reduces the billions gifted to the energy companies on the backs of consumers for months. Electricity prices in the EU are not regulated by the market but are always based on the power plants that produce the most expensive electricity. Since gas-fired power generation has become very expensive, electricity costs are rising disproportionately. All other electricity producers—those using

wind power, nuclear power, coal, etc.—can sell their electricity at these horrendous prices, even though they have not seen a corresponding increase in production costs.

The government has now announced that it will retain at least part of these gifts and use them to reduce electricity prices, which were previously driven up by the same gifts. In doing so, it left the scope of the skimming and the amount of the electricity price cap completely open, referring only to the fact that this was to be decided at European level. But even if the entire “windfall profits” were skimmed off and passed on to consumers—which is highly unlikely—households would still face market-based increases in electricity prices.

A similar social attack disguised as relief lies behind the reduction of VAT (sales tax) on natural gas from 19 percent to 7 percent. This measure had long been decided and will come into effect on October 1 but has now been added to the package in order to artificially increase its volume. This is because economists expect that the reduction alone will cost the federal budget €14 billion, almost half of the package's volume.

However, this money will not reach consumers. That is because the reduction does not even offset the cost of the gas surcharge, which the coalition passed in August and which obliges households to pay an additional 2.4 cents per kilowatt hour, which flows directly into the bank accounts of the billion-euro energy companies. Not to mention the additional enormous increase in natural gas prices, which since Friday alone have risen again by up to 30 percent.

At the same time, the incomes of workers, pensioners and students are being decimated not only by skyrocketing energy prices, but also by rapidly rising rents and hyperinflation in food prices. Even according to official statistics, food prices rose by 14 percent in July compared to the same period last year.

The minimal relief that the federal government's package has decided on for these groups does not compensate for this in any way but is merely incidental to the extreme redistribution from the bottom to the top that the government and companies are currently organizing.

For example, the government cited the conversion of

“Unemployment Benefit II” into a “citizen’s income” from January 1, 2023. However, this had also been decided long ago and is only intended to fudge the package. Part of this changeover is the increase in the standard rate from the previous €449 to “about €500.”

This “approximately 11 percent” increase is “at best a bad joke,” as the managing director of the charitable Paritätischer Wohlfahrtsverband (Parity Welfare Association), Ulrich Schneider, put it. If one includes the last increase in 2022 of just 0.6 percent, the result is an annual increase of only 5.8 percent, which is far below the increased cost of living.

The rise in child benefits is even worse. These will be increased next year by only €18 or 8.8 percent to €222. However, this is the first increase since 2019, which results in an annualized increase of just 2.9 percent. Since the rise only applies to the first two children, a family of six thus receives an annual increase of only 1.4 percent!

Even one-time payments for students and pensioners of €200 and €300, as well as the long since decided housing subsidy reform, will not change the slightest about the disastrous conditions that the coalition itself has created. The nine-euro ticket, enabling a month’s travel on local and regional transport, which at least provided some mobility for poorer classes, will be abolished, and replaced—subject to the approval of the federal states—by a €49 to €69 ticket, which, according to surveys, would only be used by 5 instead of 67 percent of the population.

A significant element of the “relief package” is the “Concerted Action” listed under item 10. This refers to the government’s close collaboration with trade unions and large corporations to push through cuts in real wage against workers. In particular, it is intended to prevent workers from winning increases to compensate for inflation that are incorporated into basic rates in the numerous wage disputes this year.

Instead, the unions have pledged to keep workers quiet with one-off payments that will not be included in basic pay scales. In this way, real wages are severely reduced, and profits are driven up further, while workers only receive a small level of compensation for this year. The government now wants to support this by exempting such one-off payments of up to €3,000 from taxes and deductions—in other words, it is subsidizing the cuts in real wages.

The €32 billion that Lindner estimates these measures will cost remain within “the federal government’s previous budget plans,” according to the finance minister. In other words, the sums, most of which will benefit the big corporations, will be saved elsewhere. The federal government left open in which areas these are, but the massive increase in defence spending, while simultaneously cutting health and education, have long since been decided.

The “relief package” is another step by the coalition to militarize the whole of society and subordinate it to its war policy. After systematically provoking Putin’s reactionary

invasion of Ukraine, it now wants to use this to inflict a military defeat on Russia and bring the country, with its vast mineral resources, under its own control.

The German government wants to become “independent of Russian gas,” as Chancellor Scholz put it when announcing the package, in order to be able to push this confrontation further. The price explosion is convenient because it forces the population to save energy and thus guarantees supplies for industry.

The ruthlessness and contempt for democratic rights with which the government is proceeding in this regard was made clear by Green foreign minister Annalena Baerbock at a conference in Prague last Wednesday. Speaking there about price increases and the upcoming winter, she declared she would continue the confrontation with Russia, “no matter what my German voters think.” Even before that she pledged support for the Ukrainian government until Crimea was also under its control, that is, until Russia was defeated militarily.

But it is not only the costs of this war and the insane costs of rearmament that are being passed on to the population. War abroad also serves the ruling class for a war at home. Like the coronavirus pandemic, it is using the Ukraine war to carry out a fabulous orgy of enrichment at the top of society. The government’s “relief package” further accelerates this process, relying on close cooperation with corporations and unions.

To beat back these attacks and defend their wages, workers must organize independently of the unions and the pro-capitalist parties in independent rank-and-file action committees united in the International Workers Alliance of Rank-and-File Committees (IWA-RFC). They must link the struggle against inflation and the theft of their wages with the struggle against war and its root, capitalism. The Sozialistische Gleichheitspartei (Socialist Equality Party) and its sister parties of the Fourth International around the world stand for this perspective.



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