

German government prepares huge social cuts

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Following the Supreme Court judgement ruling the climate fund to be unconstitutional, which has torn a billion-euro hole in the federal budget, the government is preparing social cuts on a massive scale. Health, education and housing are to be gutted to pay for the horrendous levels of armaments spending and billions in gifts to the rich.

Chancellor Olaf Scholz (Social Democrat, SPD), Economics Minister Robert Habeck (Greens) and Finance Minister Christian Lindner (Liberal Democrat, FDP) have been negotiating behind closed doors since Sunday afternoon on how to plug the hole. Scholz therefore returned from a trip to the Middle East a day earlier than planned and Habeck cancelled a planned visit to the World Climate Conference in Dubai. By the time the cabinet meets on Wednesday, the tripartite group wants to present an agreement in principle so that the 2024 budget can be passed this year. However, it is questionable whether this will succeed.

The Supreme Court sent a political signal with its ruling on November 15. It has become the ultimate judge in budgetary matters, which are traditionally the prerogative of parliament in democratic states. Based on the so-called debt brake, which the grand coalition of the SPD and Christian Democrats (CDU/CSU) had jointly enshrined in the constitution in 2009, it declared the supplementary budget for 2021, which the Bundestag (parliament) had passed retroactively, to be unconstitutional and null and void.

As a result, the Climate and Transformation Fund (KTF), which finances climate-friendly technologies in the steel industry, battery and computer chip factories, the modernisation of the railways and numerous other projects, is missing €60 billion. These projects must now be cancelled or financed directly from the budget through savings elsewhere.

However, the judgement not only affects the climate fund. Some of the federal government's 29 special funds, which together amount to €870 billion, are also affected. This applies in particular to the €200 billion Economic Stabilisation Fund (WSF), used to subsidise gas and

electricity prices, among other things, which have risen as a result of the sanctions against Russia. In addition, there are similar special funds operating in the federal states.

The Supreme Court has also made clear that it will keep a close eye on the federal government's budget policy in future. The judgement states that it is subject to "full supreme court review" as to whether an extraordinary emergency situation exists. The Bundestag can decide on such an emergency situation so that the government can circumvent the debt limit.

The Supreme Court judgement means one thing above all: the government must squeeze the billions it is spending on arming the military, financing the war in Ukraine, subsidising large corporations and similar projects even more brutally out of working people than it already has.

The current draft budget already provides for the most severe social cuts in the history of the Federal Republic of Germany. Measured against inflation, the real budget is set to fall by 11.8 percent. The healthcare budget alone has already been cut by three-quarters compared to 2022, from €64.4 billion to €16.2 billion. The education budget has been reduced by 5.4 percent and housing by 5.1 percent. These plans are now to be vastly overshadowed.

The Supreme Court is acting as the direct mouthpiece of big business and the rich, who have been demanding this for a long time. It is only "independent" in formal terms, as it is not bound by instructions from the government. Politically, however, it is anything but independent. The two judges who had a decisive influence on the ruling, rapporteur Sibylle Kessal-Wulf and Peter Müller, were both nominated for office by the CDU/CSU, which filed a lawsuit against the supplementary budget. Müller was CDU state premier of Saarland from 1999 to 2011 before moving to Karlsruhe as a supreme court judge.

Although the judgement is causing difficulties for the federal coalition, it is by no means inconvenient as it is also determined to intensify the attacks on workers' incomes and social benefits. Now it can appeal to an "independent" authority, the Supreme Court.

The SPD, which has been a member of the federal government for 25 years with one interruption and heads the Ministry of Labour and Social Affairs, is responsible for the “Hartz IV” welfare and labour “reforms,” which worsened welfare provisions and employment protections, increased the retirement age to 67 and carried out numerous other social attacks. As a result of its policies, the number of poor and low-wage workers has reached record levels. Now, together with the FDP and the Greens, the SPD is initiating a new stage of social cuts. The sums involved in the budget give an idea of their dimensions.

The government has adopted a supplementary budget for the current year that exceeds the permitted debt ceiling by €44.8 billion. To make this possible, the Bundestag is to declare an extraordinary emergency for 2023, citing the energy crisis and the costs of reconstruction following the flood disaster in the Ahr valley two years ago.

The finance minister has ruled out the possibility of another declaration of an extraordinary emergency for the coming year. According to Lindner, €17 billion would then have to be saved in the core budget. Other estimates assume much higher sums. According to the Federal Audit Office, the government will have a shortfall of €48.5 billion in the coming year. To make up for this, 8 percent of all expenditure would have to be cut or refinanced.

The government and opposition categorically rule out increasing taxes on the incomes and assets of the rich, which have been growing steadily for decades. The government will also not cut defence spending, which will amount to over €89 billion in the coming year, including ancillary budgets. Chancellor Scholz has just promised Ukraine a doubling of annual military aid to €8 billion.

The government will also hardly touch the expenditure summarised under the collective term “subsidies.” On the one hand, there are powerful lobbies behind them—such as the tax exemption for aviation fuel (€8.4 billion) and diesel (€8.2 billion) and the concessions for large industrial electricity consumers (€13.6 billion).

The abolition of the commuter allowance (€6 billion) would hit workers with a long journey to work particularly hard. The government has already stopped the electricity and gas price brakes (€6.3 billion), which will further increase electricity and energy costs for private households.

According to Scholz, the government intends to maintain the promised subsidies from the climate fund, some of which are simply trade war measures. Here, €19 billion is earmarked for the promotion of heat pumps and solar roofs, €4 billion in subsidies for the chip industry, €3 billion for hydrogen projects and €2 billion for charging stations.

The government, however, will not touch the interest payments to banks. At 8.7 percent, they are the third-largest

item in the federal budget and have exploded in the last two years due to rising interest rates—from €4 billion in 2021 to €40 billion in 2023.

Instead, social spending is at the centre of the savings efforts, accounting for 42 percent of the core budget at €185 billion. Pensions account for the largest share of this.

Representatives of the CDU/CSU and FDP are already calling for massive cuts to basic child benefits, *Bürgergeld* (a form of social assistance) and pensions. The SPD is still reluctant, but everyone knows that the party of Hartz IV and the Agenda 2010 cuts programme is prepared to do so.

Finance Minister Lindner always mentions the social budget first when asked about possible cuts. Baden-Württemberg’s state Finance Minister Danyal Bayaz (Greens) has questioned the mothers’ pension (€19 billion) and paying pensions at age 63 (€13 billion).

Bavaria’s Minister President Markus Söder (CSU) called for the increase in *Bürgergeld* planned for January to be postponed by one year and completely rescheduled. Refugees and asylum seekers, including those from Ukraine, should no longer receive *Bürgergeld* at all. CDU leader Friedrich Merz expressed similar views.

The wage settlements in the public sector, railways and postal services, which are far below the level of inflation thanks to the help of Verdi and the other trade unions, also serve to pass on the costs of militarism and the enrichment of the wealthy to the working class.

The struggle against this requires the building of a party that uncompromisingly represents the interests of the working class and fights for an international socialist programme—the Sozialistische Gleichheitspartei (Socialist Equality Party).



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