

German Chancellor Scholz insists on debt brake: Austerity for rearmament and war

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German Chancellor Olaf Scholz (Social Democrats, SPD) has commented twice at length on his policies in recent days. On May 11, he answered questions from the moderators and the audience for 75 minutes in the “RND vor Ort” (RND on the ground) talk series, and on May 13, the news magazine *Stern* published a long interview with the chancellor.

Scholz made two things clear in particular: Despite the growing opposition to the wars in Gaza and Ukraine, he remains adamant about supporting these wars with all available means. And he is determined to impose the exploding costs of military madness through social spending cuts, falling real wages and mass layoffs on the working population.

In the RND talk, he clearly answered “no” to the question of whether there was a red line for Germany vis-à-vis Israel. He avoided a direct answer, but repeated the stereotypical formula: “Israel has the right to defend itself and to combat Hamas,” which the German government has so far used to justify all the war crimes of the Netanyahu regime.

Scholz also supported the violent suppression of pro-Palestinian protests in Germany. “We have very clear laws concerning gatherings, we also have a lot of things that are forbidden, the security authorities have to take action against that,” he replied to related questions.

As for the war with Russia, the chancellor boasted that Germany was Ukraine’s biggest supporter in all of Europe and the second largest in the world after the US. The military aid provided and pledged so far alone amounts to €28 billion. In the *Stern* interview, he accused other European countries of not keeping pace. Germany has supplied “Patriot air defence systems, main battle tanks, multiple rocket launchers, other heavy equipment,” he said. “Unfortunately, there are not enough imitators yet.”

After being silent on the question for weeks, Scholz also fully committed himself in the *Stern* interview to complying with the budgetary debt brake for the coming year.

Bitter recriminations between the ministries have raged for weeks because Finance Minister Christian Lindner (Free Democratic Party, FDP) has insisted on compensating for the already existing budget shortfalls, the exploding costs of war and rearmament as well as all other additional expenses by savings elsewhere in order not to exceed the new debt limit of 0.35 percent of GDP required by the Basic Law.

Lindner strictly rejects an increase in revenues, for example through a tax on the assets of the now 226 German billionaires, or on speculative profits from shares and real estate. On the contrary, he wants to further reduce taxes. Some representatives of the Social Democrats (SPD) and Greens have therefore proposed suspending the debt brake once again as in 2023 or changing the corresponding

provisions in the constitution, which the FDP categorically rejects. Time is running out as the cabinet intends to adopt the 2025 budget on July 3.

The chancellor has now given Lindner his backing and strengthened his hand. The financial framework for the federal budget is determined by tax revenues and the Basic Law, he told *Stern*. The limits stated by the minister of finance were agreed with him.

What this means can be easily anticipated: huge cuts in spending on social programmes, environmental protection, infrastructure and other areas that serve the interests of society and not the enriching of the few.

The holes in the federal budget are huge and getting bigger every day. There is already a gap of €30 billion compared to the three-year financial plan adopted in 2023. On Thursday, it increased by another €11 billion. The new tax estimate showed that due to the sluggish economy, tax revenues are much lower than assumed half a year ago. By 2028, the federal government, federal states and municipalities will lack more than €80 billion compared to last November’s estimate. Almost half of this is attributable to the federal government.

Commenting on the tax estimate, Finance Minister Lindner said, “We must say goodbye to unrealistic wishes and press ahead with the consolidation of the budget. This requires discipline and willpower.”

Many expenses cannot be reduced. In the current year, for example, the federal government is paying almost €37 billion for debt servicing alone, as much as for education, research and health combined, due to increased interest rates. In 2022, it was €15 billion. And the enormous costs of war and rearmament are tearing another deep hole in the federal budget. All parties in the SPD/Green/FDP coalition agree that NATO’s 2 percent target must be met, and support for Ukraine and Israel must continue.

Scholz made clear in the *Stern* interview that this means further cuts elsewhere: “Everyone feels the financial consequences of the Ukraine war, the costs for refugees, arms deliveries and reconstruction aid. Anyone who says that this is hardly noticeable in the budget is mistaken.”

The rest of the interview served mainly to throw sand in the readers’ eyes. For example, Scholz claimed that “neither will we sin against social cohesion nor will we refrain from stimulating growth.” He also claimed that he will not agree to a further increase in the retirement age.

Scholz knows that these are lies. Fulfilling these promises would be equivalent to squaring the circle. It is obvious that the planned savings in the budget can only be achieved by means of massive social cuts.

The SPD hides behind the FDP in time-honoured fashion in order to prepare social attacks that it has itself planned. The governments of

Willy Brandt and Helmut Schmidt already used this method in the 1970s. The FDP and its boss Lindner, who celebrated a three-day luxury wedding on the island of Sylt two years ago, embody a layer of social climbers who can't satiate their greed as they demand that the poor continually tighten their belts.

In recent weeks, the FDP initially presented a 12-point paper and then a 5-point paper calling for tax cuts, a cut in the Citizens Benefit, a moratorium on social benefits, the abolition of retirement at 63 for those who have worked for 45 years, a cut in pensions and further social cuts. SPD politicians such as Labour Minister Hubertus Heil have declared their outrage publicly with these demands—in order to implement them later.

There is no other party in Germany that is responsible for such drastic social cuts as the SPD. In 2003, the SPD-led government of Gerhard Schröder created a huge low-wage sector with the Agenda 2010. As a result, 8.4 million people earn less than €14 per hour in Germany today. In 2006, SPD Labour Minister Franz Müntefering initiated the gradual increase in the retirement age from 65 to 67.

Social cuts are just one front in the war against the working class. Real wages have fallen massively in recent years because the unions have stifled all collective bargaining and agreed to deals far below the rate of inflation. In the automotive, parts supplier, chemical, and other industries, and in retail and other economic sectors, one wave of layoffs follows another.

The wars in Ukraine and the Middle East, the preparations for war against China and the class war against the working class are inextricably linked. They are two sides of one and the same coin. As was the case before the First and Second World Wars, global capitalism is stuck in a dead end from which the ruling class finds no way out—except war at home and abroad.

The British weekly the *Economist* recently published an editorial that admits this with remarkable frankness. At first glance, the global economy looks reassuringly resilient, it says. However, if you take a closer look, you can see fragility:

For years the order that has governed the global economy since the Second World War has been eroded. Today it is close to collapse. A worrying number of triggers could set off a descent into anarchy, where might is right and war is once again the resort of great powers.

The article points to the increase in sanctions and competitive subsidies, the fragmentation of global capital flows, and the loss of authority of international institutions such as the WTO, the IMF and the International Court of Justice. It draws a direct parallel to the two world wars:

So far fragmentation and decay have imposed a stealth tax on the global economy: perceptible, but only if you know where to look. Unfortunately, history shows that deeper, more chaotic collapses are possible—and can strike suddenly once the decline sets in. The First World War killed off a golden age of globalisation that many at the time assumed would last for ever. ... Today a similar rupture feels all too imaginable.

The crisis has already reached a stage where government decisions appear like sheer madness. They escalate the war against Russia, even if they risk a nuclear catastrophe that would leave nothing left of Europe. After the devastating wars in Afghanistan, Iraq, Libya and Syria, they have set the Middle East ablaze again. They are preparing a war against the nuclear-armed power China and aggravating trade war, even though this imposes self-inflicted wounds.

The European Union is considering imposing high punitive tariffs on Chinese products, following the US. The consequences would be devastating, as China would respond with countermeasures and the trade war would continue to escalate.

Above all, the German car industry would be hit hard. Tens of thousands more jobs would be at risk. For example, every second Mercedes of the S-Class built in Germany and every second BMW of the seven-Series are exported to China, while conversely the electric version of several models (BMW X3, Mini, Smart) are largely produced in China.

But the crisis has long since reached a stage where the rulers are no longer able to make rational decisions. They are driven by objective social contradictions over which they have no control. Capitalist private property and the nation-state on which it is based are incompatible with the global character of modern production. To defend their profits, wealth and privileges, they rely on the redivision of the world through war, intensified exploitation and dictatorship.

The differences between the parties melt away. Whereas the SPD used to advocate social reforms and the Greens environmental protection and pacifism, today they are pioneers of social cuts, militarism and state rearmament. The same applies to the Left Party and the trade unions, which have degenerated into co-managers and a type of corporate police force.

The working class is facing struggles that it cannot avoid. It must prepare for them. There is only one way it can prevent war, social decline, dictatorship and environmental destruction. It must combine its resistance to exploitation and poverty with the growing opposition to war. It must unite internationally and fight for the overthrow of capitalism and for socialism—for a society in which the needs of the masses and not the profit interests of the rich are decisive.

This perspective is at the heart of the Socialist Equality Party's (SGP) European election campaign.



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