

German government junks its promised cuts to electricity tax for the bulk of the population: A harbinger of massive social attacks

Dietmar Gaisenkersting**4 July 2025**

The leadership committee of the German government—a coalition of the Christian Democratic Union CDU, Christian Social Union CSU, and Social Democratic Party SPD—met for five hours on Wednesday evening to discuss cuts to the country's tax on electricity. The result: the government's previous announcement remains in place. The electricity tax will only be reduced for large companies and not for ordinary consumers, as originally proposed in the coalition agreement.

This is a fundamental decision that means more money for companies and the rich—financed by cuts for the poor. The government and party leaders have made clear that they are determined to squeeze trillions of euros out of the working population to finance rearmament and preparations for war.

The CDU/CSU and SPD thus followed the proposal of finance minister Lars Klingbeil (SPD), who insisted that the population could only benefit from cuts to electricity bills if the money was saved elsewhere in the budget. The government is currently preparing to fleece the poorest of the poor, i.e., those receiving basic Citizen's Income.

The current electricity tax of 2.05 cents per kilowatt-hour will now be reduced to the European minimum of 0.05 cents per kilowatt-hour only for the manufacturing sector, as well as forestry and agriculture.

The electricity tax in Germany was introduced in April 1999. The then SPD-Green government under chancellor Gerhard Schröder (SPD) and foreign minister Joschka Fischer (Greens) enacted it as part of their so-called “eco-tax reform.” The aim was to make energy more expensive in order to force savings and promote the long-term expansion of renewable energy. However, the revenue from the electricity tax then went into the pot for statutory pension insurance—around 90 percent at the time of its introduction. This made it possible to reduce pension insurance contributions for companies in the long term.

According to Finance Minister Klingbeil, around 600,000 companies will now benefit from the electricity tax reduction. Together with the lower grid fees already approved and the abolition of gas storage surcharge for all consumers, the government estimates the annual relief for companies at

approximately ten billion euros per year, which will now be missing from the budget.

Reducing the electricity tax for everyone would have cost an additional 5.4 billion euros annually. For an average family of four, this would mean savings of up to 70 euros per year. But even this expenditure was rejected by the government, postponing it indefinitely.

Klingbeil's proposal, which he had coordinated with Chancellor Friedrich Merz (CDU), provoked muted criticism from the CDU/CSU. In return, the extension of the so-called “Mothers' Pension” was brought forward by one year to 2027. Equal treatment in pension calculations for mothers of children born before 1992 and mothers whose children were born after 1992 was a campaign promise of the CSU.

There is no disagreement, however, between the various parties when it comes to expenditure for war. The German government had already decided to increase the budget of the defence ministry by around €10 billion to around €62.5 billion this year. In addition, around €24 billion is planned from the special fund of the German army (Bundeswehr), resulting in total expenditures of €86.5 billion this year. The defence budget alone will continue to rise to up to €153 billion by 2029. Special expenditures for armaments are expressly exempt from the debt brake. Total expenditures could therefore explode to over €1 trillion.

While no limits are being imposed on spending for armaments and war, all social spending or tax relief for working-class families is expressly subject to funding restrictions.

The government's decision on the planned electricity tax cut is therefore a harbinger of attacks on all forms of social security systems and spending. Every euro spent on armaments and war over the next five years is to be squeezed out of the working class. If the warmongers in the government have their way, there will be virtually nothing left of the country's welfare system.

At the same time, the working class is already paying for the escalating trade and economic war with wage cuts and job losses. Hundreds of thousands of workers are threatened with losing their jobs. In this situation of rising unemployment, the cuts to Citizen's Income payments are intended to force affected workers

into the lowest-paid jobs with the worst working conditions.

That's why CSU leader Markus Söder, who was immediately supported by politicians and the media, is already inciting hatred against citizen's income recipients. Söder describes the approximately €50 billion currently being spent on 5.7 million unemployed people and their families as the "main blocking factor" for further relief. "It cannot be," he fumed, "that we have record spending on citizen's income and therefore have to postpone important issues like the electricity tax cut." In an interview with *Der Spiegel* magazine, the Union (CDU and CSU) parliamentary group leader, Jens Spahn (CDU), ranted about "out-of-control" costs. A strict austerity program (and not just applied to Citizen's Income!) was a prerequisite for any electricity price initiative.

The introduction of the Hartz IV social welfare cuts 20 years ago was also accompanied by a campaign against the long-term unemployed, who were vilified as "welfare parasites." When the Hartz IV reform came into force in 2005, almost five million people in Germany were unemployed. 1.8 million of them were long-term unemployed.

The Schröder-Fischer government implemented the most drastic cuts in the social security system since World War II. Under the leadership of Peter Hartz, a member of the SPD and IG Metall union, and then Chief Human Resources Officer of the Volkswagen Group, representatives of political parties, companies, unions, and academia developed "labor market reforms," which were then gradually introduced starting in 2002.

The introduction of Hartz IV, the merger of unemployment benefits and social assistance into unemployment benefit II (today's Citizen's Income), was the most important of these "reforms." Firstly, this drastically cut social benefits; secondly—and this was the actual goal—the Hartz IV regulations massively expanded the low-wage sector. Pressure on employees to accept very low-paying jobs was increased. This had serious repercussions for the wages of all workers.

The campaign against "welfare parasites" had nothing to do with reality then, nor does it now. For example, federal Labor Minister Bärbel Bas (SPD) recently had to admit in an interview with Deutschlandfunk that people who do not attend appointments or completely refuse to cooperate with job centres make up only around 0.5 percent of all Citizen's Income benefit recipients. Tougher sanctions in the benefit system, as now being called for, would therefore hardly bring about savings.

That, however, is only the ostensible focus of the campaign. The aim is to attack the long-term unemployed, who often suffer from mental and physical disabilities, while actually targeting the future unemployed, many of whom are qualified professionals from industry, sometimes highly skilled. Pushing them into low-wage jobs, as happened in 2005, cannot be done without the threat of harsh sanctions.

As early as 2011, a study by the Research Institute of the Federal Employment Agency (IAB) found that over half of West German Hartz IV recipients who had taken up full-time employment had to take up employment below the low-wage threshold. In East Germany, 38 percent ended up in the low-wage sector. However, this was due to the already lower wages paid in the east.

At the same time, Hartz IV was used by the corporations as a

lever to achieve lower wage and salary increases. With the active participation of the trade union apparatus, real wages were reduced across the board.

Both the policy of sanctions and low benefit payments were repeatedly deemed inhumane and unconstitutional by the courts, leading to a slight increase in benefits as part of the renaming of Hartz IV to Citizen's Allowance.

This "reform" was a drop in the ocean and the result is still not enough to support recipients, especially after the cost of living has skyrocketed in recent years due to the coronavirus pandemic and the NATO proxy war in Ukraine against Russia. This particularly affects electricity prices, which, unlike rent and heating costs, are not covered by job centers for citizen's income benefit recipients. A reduction in electricity tax for everyone would therefore have helped this poorest segment of the population as well.

The cuts the federal government is currently planning to the citizen's income benefit are massive. Direct reductions in the monthly standard rates (€536 per month for singles) are to be imposed through a new "basic social security system." Inflation adjustments will then only apply to standard rates, not to rent and heating costs. This would result in families, so-called "needs-based communities," having to move into increasingly smaller, cheaper apartments. Another proposal is to require existing assets to be used up immediately together with the abolition of current waiting periods.

Central to this, however, will be the tightening of sanctions and a "work requirement." This ties in directly with the Nazis' treatment of the poor and unemployed. Compulsory work and forced labor were part of the Hitler regime's efforts to support the war economy. Under the Nazi regime, the accusation of "work-shyness" was used to characterize people as "asocial." These people were then arrested, deported to concentration camps as early as 1938, forced to work, and later murdered.



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