

German government adopts 2026 budget: Rearmament and social cutbacks

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On Wednesday, the German government adopted the draft budget for 2026 and the financial plan through to 2029. The figures—and the accompanying campaign in politics and the media—make clear that the greatest social attacks in twenty years, since the infamous “Agenda 2010” of the Schröder government, are imminent. The coming period will be marked by intense class struggles.

Finance Minister Klingbeil is earmarking vast sums to make the Bundeswehr (Armed Forces) “fit for war,” to build Germany into the largest military power in Europe, and to continue the war against Russia. These funds are to be recouped at the expense of working people, pensioners and the disadvantaged, as well as from education and healthcare. The enrichment of the wealthy at the expense of the majority, which has already reached grotesque proportions, is to proceed unchecked.

Klingbeil, who is also chairman of the Social Democratic Party (SPD), has already begun to prepare the cabinet for massive austerity measures. “Looking ahead to the coming years, we will pursue a strict course of consolidation,” he said. All ministries are obliged to contribute. “Everyone in government will have to make savings. This is an immense challenge.”

The financial plan foresees the accumulation of €851 billion in new debt by 2029. That is nearly as much in five years as the Federal Republic incurred in the first 60 years of its existence. From 1949 to 2009, the national debt grew to one trillion euros. Nevertheless, Klingbeil's financial plan contains an unfunded gap of €172 billion. Six weeks ago, when presenting the 2025 budget, Klingbeil had expected it to be €28 billion less.

The rapidly growing deficit is due to the already approved “growth booster,” which provides tax relief for companies and compensates states and

municipalities for lost revenue, as well as mounting interest payments. These are expected to rise from €35 billion currently to €60-€70 billion within four years—assuming interest rates do not increase. If rates rise, the figure could reach €100 billion. The effects of the tariff war with the US, the deep crisis in the automotive, steel and chemical industries, and continued economic stagnation are not yet factored in.

Nor does the federal budget address the financial crisis facing municipalities, which are responsible for a significant share of social spending, public services and investment. According to a recent report from the Bertelsmann Foundation, local authorities posted a deficit of €24.8 billion last year. Until 2022, they had recorded ten consecutive years of surpluses. That turned negative in 2023, and in 2024 the deficit tripled.

Meanwhile, the chorus of voices calling for massive cuts to social spending is growing louder. At €127.8 billion, the federal contribution to pensions is the largest item in the 2026 budget, which totals €520.5 billion, and it is projected to rise to €154.1 billion by 2029. Expenditure on the citizens' benefit (Bürgergeld, welfare payments) amounts to €41 billion in the 2026 budget and has already been cut by €1.5 billion compared to the previous year.

This is a direct consequence of the war policy. The 2026 budget allocates €82.7 billion to military spending, €20 billion more than the current year. Added to this are further outlays from the Bundeswehr “special fund” established three years ago, bringing the total military expenditure to €128 billion. By 2029, this is set to rise to €153 billion, which corresponds to NATO's target of 3.5 percent of GDP, and will be funded entirely from the regular federal budget.

Economics Minister Katherina Reiche (Christian Democratic Union, CDU), a long-time energy industry

lobbyist, was the first cabinet member to launch a campaign for a further increase in the retirement age, which is set to reach 67 by 2031. “We must work more and longer,” she demanded in the *Frankfurter Allgemeine Zeitung*, saying that was “unavoidable.” In the long run, it was not sustainable, she argued, “that we work only two-thirds of our adult lives and spend one-third in retirement.”

While Reiche encountered broad public opposition, the media eagerly picked up her demand. A lead article in *Der Spiegel* accused all those who protested of “denying reality.” The CDU politician had ‘merely said what experts have been preaching for years—and what should be obvious to anyone who can do basic arithmetic: Germany’s pension system cannot continue as it is, unless we are willing to risk its collapse with open eyes.”

The present campaign recalls the early 2000s, when unemployment, rising social insurance contributions and mounting public debt dominated the headlines and Germany was labelled “the sick man of Europe.” Under pressure from the business lobby, the government of Gerhard Schröder (SPD) and Joschka Fischer (Greens) responded at the time with “Agenda 2010,” initiating the greatest social rollback in the history of the Federal Republic.

As a result, the gap between rich and poor has widened dramatically. More than a fifth of the population is affected by poverty or social exclusion, while at the top, a growing number of billionaires and multimillionaires revel in unimaginable luxury.

Now, Merz and Klingbeil are preparing another “agenda” that will put that of Schröder and Fischer in the shade. They had not specified the details in their coalition agreement, as they needed time to get their massive rearmament programme under way. But now they can no longer avoid confrontation. Klingbeil will recover the missing €172 billion and more from where it hurts working people the most.

The pursuit of profit, rearmament and war are incompatible with social justice and democracy. Working people and youth must prepare for the inevitable confrontation by taking up the fight for an international socialist programme that links resistance to war, repression and social cutbacks with the overthrow of their root cause: capitalism.



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