

German government coalition partners agree on massive social cutbacks

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Ten days after Chancellor Friedrich Merz declared that Germany could no longer afford the welfare state, the leaderships of the ruling Christian Democratic Union/Christian Social Union (CDU/CSU) and Social Democratic Party (SPD) have agreed to a massive reduction in social benefits.

Following a meeting of the coalition committee on Wednesday, Merz said, “We have really reached a good understanding here, also on the objective of reforming the welfare state.” The coalition would agree on the key points for such a reform later this year. Citizen’s Income (welfare payments) would be replaced by a new basic benefit that would “promote” responsibility and “challenge” potential abuse.

Even earlier, Merz had announced in several interviews that he intended to cut 10 percent of the costs of Citizen’s Income, equivalent to around €5 billion a year. This, he said, had to be “the minimum amount.” Labour Minister Bärbel Bas (SPD), who had only shortly before dismissed Merz’s attack on the welfare state as “bullshit,” now signalled her agreement. She said she shared the chancellor’s opinion that the welfare state needed reform.

Finance Minister Lars Klingbeil, who co-leads the SPD with Bas, praised the notorious “Agenda 2010” measures of former Chancellor Gerhard Schröder (SPD), which had initiated a gigantic social redistribution in favour of the rich 22 years ago. “Schröder undertook bold reforms,” Klingbeil told *Die Zeit*. “Today too, we need comprehensive reforms so that our welfare state remains strong, but also affordable, and functions better.”

Schröder, who only rarely appears in public these days, reacted immediately. “I think that’s courageous of Lars Klingbeil,” he told the *Frankfurter Allgemeine Zeitung*. He hoped the SPD had realised that bold reforms paid off, even if they initially seemed unpopular.

The cuts to Citizen’s Income mark the beginning of a frontal attack on social gains fought for over decades. Pensions and healthcare are next, involving much higher sums. In the coalition pact to form the federal government, the CDU/CSU and SPD had already agreed to set up expert commissions for this purpose. These are now to draw up proposals without delay.

Business associations and pro-business media are pushing for radical social cutbacks. On September 1, the *Frankfurter Allgemeine Zeitung* complained that “beginning with the mismanagement of Citizen’s Income, through the constantly promoted sense of entitlement, and up to the high social contributions, the welfare state is strangling economic growth.” Now, it said, the time had come “to withdraw in many areas and give up cherished things so that the economy can pick up speed again.”

The president of the German Institute for Economic Research (DIW), Marcel Fratzscher, proposed the introduction of a “year of social service” for pensioners. Under this, shift workers, shop assistants and others who have worked hard for over four decades should then spend a year emptying bedpans and performing other unpaid labour before enjoying their well-earned retirement.

Fratzscher’s proposal, though bizarre given that he, as DIW head and a professor at Berlin’s Humboldt University, likely earns several hundred thousand euros a year, is being broadcast through every channel. The aim is to stir up hostility against all those who do not generate economic profit but nevertheless claim the right to a decent life.

Social cutbacks and rearmament

Behind this frontal assault on the welfare state lies more than the usual clamour of business representatives and neoliberal economists. Capitalist society is at an impasse, from which the imperialist powers see no way out other than social cutbacks, dictatorship and war.

In the 1930s, a spiral of recession, trade war, financial crisis, fascism and rearmament led to the Second World War. Today, a similar catastrophe is again unfolding.

The return of Donald Trump to the White House has definitively destroyed the illusion that there could be such a thing as peaceful global capitalism. In 1940, after the outbreak of the Second World War, the Fourth International recalled Lenin’s statement that imperialist wars were inevitable as long as capitalism remained. It declared:

The second imperialist war is no accident; it does not arise from the free will of this or that dictator. It was long foreseen. It followed inexorably from the contradictions of international capitalist interests.

This warning is once again being confirmed today. Trump is not the cause but a symptom. He is responding to the decline of American capitalism by declaring war on the rest of the world, imposing punitive tariffs on rivals and allies, raising US military spending to the staggering level of \$1 trillion, and erecting a dictatorship in the United States. This is the essential content of his “Make America Great Again” policy.

The European powers are pursuing the same course. Under the supposedly democratic Obama and Biden administrations, they enthusiastically joined the NATO offensive against Russia in the hope of rich spoils. Now they have been caught wrong-footed by Trump. He imposes tariffs on European nations, threatens to reach an agreement with Russia at their expense, and forces them to shoulder the full burden of the costly war in Ukraine. Washington now supplies weapons to Kiev only if Europe foots the bill.

But the European powers are unwilling to subordinate their own imperialist ambitions to those of the Americans. Hence, they are rearming at full speed. In 2024, the 27 EU members increased their military

spending by 19 percent to €343 billion. This year it is to rise to €381 billion, with €130 billion flowing into investment in new weapons. That is by no means the end. To reach NATO's targets, "even greater efforts and spending of over €630 billion per year in total" are needed, according to André Denk, secretary general of the European Defence Agency (EDA).

Germany is playing the leading role in this rearmament drive. Defence Minister Boris Pistorius had already set the goal in 2024 of becoming "fit for war" by 2029 in order to wage war against Russia. Even before the election of the new government, the Bundestag (federal parliament) lifted the debt brake to provide €1 trillion for rearmament and war-related infrastructure.

Merz recently justified this suspension of the debt brake with the need to save NATO in view of the US withdrawal. "If we had not changed the constitution, this NATO would probably have collapsed that very day," he told broadcaster ZDF in a summer interview.

In his first government statement in the Bundestag, Merz proclaimed the goal of militarily dominating Europe. He promised he would "make available to the Bundeswehr [Armed Forces] all the financial means it needs to become conventionally the strongest army in Europe." This, he said, was "more than appropriate for the most populous and economically strongest country in Europe."

Manfred Weber (CSU), chairman of the conservative European People's Party (EPP) group in the European Parliament, also made clear that the rearmament drive is not about defence, but about imperialist interests—markets, raw materials and profits.

When asked why the EU had given way in the customs agreement with the US, Weber replied that due to its military inferiority, Europe had had no choice: "Because Europe felt the dependencies in defence vis-à-vis Trump, we could not take a strong enough stand in the trade agreements and say: We are an equally strong economic player in the world compared to the USA."

After two lost world wars, German militarism is again grasping for world power and is prepared to take any risk. Its military expansion plans are once more directed eastwards, consciously accepting the danger of a Russian counterattack. Yet just a fraction of Russia's nuclear arsenal, comprising 4,000 to 6,000 warheads, would suffice to completely destroy all urban centres, military sites and industrial infrastructure in Germany.

Frontal attack on the working class

The vast programme of rearmament and war launched by the Merz government can only be implemented through the destruction of the social gains and democratic rights of the working class. The fact that a large part of military spending is being covered by new debt changes nothing.

Finance Minister Klingbeil's budget planning speaks volumes. Defence spending will rise from €86.5 billion this year to €168 billion in 2029, fully covered by the regular budget.

Although Klingbeil is planning additional borrowing of €847 billion by 2029, there will still be a funding gap of €172 billion for the years 2027 through 2029 alone, almost €60 billion a year. Since spending on domestic security and debt service is also rising, and the government categorically rules out tax increases for the rich, the shortfall can only be met by cutting social spending, which currently accounts for around 40 percent of the total budget.

"We will have to explain to the population why, despite the high investments in defence and infrastructure, we still need considerable consolidation in public finances," Merz commented after the coalition summit.

The budget crisis is being exacerbated by further factors. Since the

coronavirus crisis of 2020, the German economy has stagnated, with tax revenues consistently falling short of expectations. And the 15 percent import tariffs the US has imposed on all EU goods since August 7, while US imports into the EU remain duty-free, have further deepened the economic downturn.

When EU Commission President Ursula von der Leyen agreed the customs deal with Trump on a Scottish golf course, outrage flared in German business circles. There was talk of "submission" and "appeasement." Former VW boss Herbert Diess described the deal as a "disgrace" for "a clique of naïve, nostalgically transfigured transatlanticists."

Von der Leyen defended the agreement by claiming that despite considerable disadvantages, it provided planning security and reliability. But even that proved an illusion. Steel and aluminium used in European cars and machinery are now being charged extra and subject to the higher tariff rate of 50 percent. This has significantly undermined the competitiveness of German mechanical engineering, one of the country's most important export industries. The latest twist from Washington showed, fumed business weekly *Wirtschaftswoche*, "that agreements with Trump are not worth the paper they are written on."

Germany's car and supplier industries are in free fall anyway. Within a year, 51,500 jobs have been cut, and the cull continues unabated. All the major car and supplier companies have announced thousands more job cuts, while smaller firms are going bankrupt en masse. According to a study by consultancy EY, the number of industrial jobs in Germany has fallen by a quarter of a million since 2019. For the first time in many years, registered unemployment has again exceeded the 3 million mark. This further increases the deficit of the contributory social funds used to finance unemployment and health.

Political crisis in France

In other European countries, the crisis is even more explosive, particularly in France, which, with public debt at 114 percent, has virtually no room for further borrowing without risking a financial crisis.

After President Emmanuel Macron brought forward the increase of the military budget to €64 billion from 2030 to 2027, Prime Minister François Bayrou is planning budget cuts of €44 billion for next year, primarily at the expense of social spending. This is provoking massive resistance. Nationwide blockades and strikes are planned in the coming days.

Since Bayrou has no majority in parliament, he has tied the adoption of the austerity budget to a vote of confidence—which he is almost certain to lose. France would then be left without a government in the midst of fierce social conflict.

Berlin and Paris are working closely together to enforce the war policy and the associated attacks on the working class. For the last Franco-German ministerial council, held in Toulon in August, the two governments commissioned leading economists to draw up reform proposals. They produced a catalogue of social atrocities.

Even though neither the parties of the New Popular Front (NFP) nor the far-right National Rally (RN) currently see themselves in a position to provide a majority for Bayrou's hated austerity budget, all of them, including the trade unions, are working to sabotage or divert the opposition movement. If the Bayrou government cannot be saved, then at least the survival of capitalist rule must be secured. This also applies to *La France insoumise* (France Unbowed) of Jean-Luc Mélenchon, which lends verbal support to the protests but rejects a socialist perspective to overthrow capitalism.

RN leader Jordan Bardella has written to the heads of major companies

offering himself as the next prime minister and promising budget cuts of €100 billion.

In Germany, too, leading CDU figures such as Jens Spahn and Julia Klöckner are already reaching out to the far-right Alternative for Germany (AfD) to work with it should the Merz-Klingbeil government collapse under the pressure of growing resistance. As in the United States, where Trump is building a dictatorship, rearmament, war, the enrichment of the super-rich and the associated attacks on the working class can only be enforced by fascist methods.

The struggles against rearmament, war, social cutbacks, inequality and fascism are therefore inseparably linked. They require the independent mobilisation and international unity of the working class in the fight for a socialist programme.

We welcome the resistance of French workers and youth against Bayrou and Macron and call on workers in Germany to demonstrate their solidarity with them and follow their example. But this resistance can only be successful if it breaks free from the influence of the New Popular Front and the trade unions, bases itself on independent rank-and-file action committees, and fights for a workers' government and the United Socialist States of Europe.



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