

German government prepares assault on social spending, scapegoating immigrants

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On October 14, Chancellor Friedrich Merz denounced immigrants as a “problem in the urban environment” that had to be solved through more deportations. Since then, debate over his statement has not subsided and it is becoming ever clearer what the chancellor aimed to achieve with his racist tirade.

Merz and his government, a coalition of the Christian Democrats (CDU/CSU) and Social Democrats (SPD), are preparing for ferocious conflicts with the working class. They are planning a frontal assault on social benefits on which millions depend for their existence. Such an offensive cannot be carried out by democratic means. They are therefore making migrants the scapegoat for the consequences of their own policies and drawing deeply from the propaganda arsenal of the far-right Alternative for Germany (AfD). In doing so, they are deliberately strengthening the far right, because they need it to divide and suppress the working class.

Financial crisis of the municipalities

Merz’s reference to the “urban environment” was not accidental. The devastating consequences of the federal government’s austerity policy are most evident in the municipalities. With annual spending of €363 billion (as of 2024), the municipalities spend only €100 billion less than the federal states and €200 billion less than the federal government. However, they can finance only a small part of these expenditures from their own revenues and are dependent on substantial transfers from the federal and state governments.

Years of austerity and the impact of the debt brake have reduced these transfers, while new tasks are constantly being transferred to the municipalities. As a result, social spending—mandated by federal laws—has more than doubled since 2009. It now accounts for over 40 percent, and in some regions up to 65 percent, of municipal budgets.

As a consequence, hardly any municipality is still able to make the necessary investments in dilapidated schools, crumbling roads, libraries, leisure centres, nurseries, social services and other socially essential facilities. The situation has deteriorated dramatically over the past two years. The combined deficit of all German municipalities reached €25 billion in 2024—a fourfold increase in just twelve months! For this year, a shortfall of €35 billion is expected.

“Deficits of unprecedented magnitude are piling up, rising cash credits are triggering a debt-interest spiral, and investment is collapsing,” warn the municipal umbrella associations. “The federal financial architecture is completely out of balance.”

In a letter to Chancellor Merz (CDU) and Finance Minister Klingbeil (SPD), the German County Association wrote: “Cities, districts and municipalities have never been in such dire straits.” Investments, it said, were plunging despite additional federal funds.

Under the headline “A storm is brewing over the municipalities” the *Frankfurter Allgemeine Zeitung* reported: “‘Genuinely’ balanced municipal budgets (that is, without drawing on reserves) have become an absolute exception across the country. In a survey conducted at the start of the year among member municipalities of the German Association of Cities and Towns, only 6 percent said they had managed this. In 2024, the figure had still been 21 percent.”

Merz and Klingbeil have no intention of helping the municipalities. The stranglehold with which they are choking off municipal finances serves to shift the enormous costs of rearmament, war and the enrichment of the wealthy onto the working population.

Hundreds of billions for rearmament

Klingbeil’s medium-term financial plan envisages taking on new debt of €850 billion by 2029—a record amount. This massive mountain of debt is intended to prepare the Bundeswehr (Armed Forces) for war against Russia and make Germany’s infrastructure “fit for war.” The budget therefore contains a gap of more than €170 billion, which Klingbeil plans to close through cuts at the expense of the working class.

In the municipalities, he can rely on an all-party coalition of all the establishment parties—including the Left Party and the AfD. Whatever their public posture towards the federal government, in municipal councils they all implement its austerity diktats. Even if they occasionally complain, not one of them is willing to mobilise any opposition.

The main beneficiary of this all-party coalition of social cutbacks is the AfD. The far-right party now has several thousand representatives at municipal level and is the strongest party in some eastern states.

Just a few days ago, a conference of 500 AfD municipal politicians took place in Berlin, at which MP Stephan Brandner ranted against “migration madness” and “climate nonsense.” Rhineland-Palatinate state parliament member Joachim Paul boasted that at the municipal level, one no longer needed to break down firewalls: “It’s enough just to blow them over.” AfD MP and former mayor of Jüterbog Arne Raue praised: “No one helps us grow more than the establishment parties.”

The state governments, regardless of their political composition, are likewise implementing the federal government's radical austerity course. Although the debt brake has prohibited them from taking on new loans for five years, the states are still carrying €610 billion in debt—almost a quarter of total public debt, which stands at €2.5 trillion.

They are now drastically cutting education, culture and social budgets. Berlin's universities alone must save €145 million this year. Ten percent of study places—around 25,000 in total—are to be cut, and staff budgets sharply reduced. The situation is similar in other federal states.

The cuts at municipal and state level are only the tip of the iceberg. The most sweeping attack on the welfare state is being prepared at the federal level.

Business associations and the media are pushing for massive cuts to pensions and health spending. "Even stabilising social expenditure will be difficult enough without benefit cuts; anyone wishing to reduce it must proceed drastically," writes finance weekly *Wirtschaftswoche*, calling for the abolition of the mothers' pension and early retirement without deductions, and for a reduction in the benefit level. "The same applies to health and care; costs are rising almost unchecked." There are dozens of similar articles and studies.

Merz: "We can no longer afford the welfare state"

In August, Chancellor Merz declared: "We can no longer afford the welfare state." The government, however, is proceeding step by step so as to dampen the expected resistance. It has outsourced the dismantling of pensions and healthcare contributions to commissions that are to draw up proposals, and as a first measure, decided to abolish Bürgergeld (welfare support) and replace it with a basic allowance.

The purpose of this measure—which will save at most €5 billion—is to pressure the unemployed into accepting virtually any job, no matter how poorly paid. Otherwise, they face cuts or the complete withdrawal of benefits. The same method was used by the "Hartz" laws twenty years ago, which laid the foundations for a massive low-wage sector.

The government's concern is not only the three million already unemployed, but also the tens of thousands losing their jobs each month. They are to be forced into taking low-paid work immediately. Labour Minister Bärbel Bas publicly calculated that the state saves €850 million per year if 100,000 fewer people claim basic support.

According to Enzo Weber of the Institute for Employment Research (IAB), "For over two years, more than 10,000 industrial jobs have been lost every month." The auto industry is particularly affected. These are typically skilled, relatively well-paid jobs on which many other jobs depend.

This jobs massacre is being intensified by the trade war with the US and China. Traditional manufacturers such as Ford and Opel (Stellantis) are now threatening to close their German plants entirely. VW, Porsche, Mercedes and other carmakers are also deep in crisis. Hardly a day passes without a small or medium supplier declaring bankruptcy or halting production. Added to this is the introduction of artificial intelligence, which is destroying countless jobs in

administration and services.

Stock markets explode

So far, the government relies primarily on the trade unions to suppress resistance to the job destruction and social cuts. Their well-paid officials and full-time works council representatives draw up redundancy plans and suffocate every opposition to them. They present job and wage cuts as being necessary to keep German companies "competitive" in the global market.

But their lie that workers and bosses are "in the same boat" becomes more transparent by the day. While workers' living standards have stagnated or fallen for years, stock prices, great fortunes and executive pay have exploded.

Despite a stagnating economy and numerous bankruptcies, Germany's DAX index has hovered around a record 24,000 points since June—more than double its level in 2020 at the height of the pandemic. The total market value of the 40 companies listed in the DAX is nearly €2 trillion.

Stock prices remain high despite the economic crisis because speculators trust that the state will "bail them out" in any future financial crash, just as in 2007. Since then, virtually all wealth gains in Germany have gone to the richest layers. The number of billionaires has quadrupled from 42 to 171. Ten percent of households now own 56 percent of total wealth.

At the same time, poverty is rising. In 2024, 15.5 percent of the population—or around 13 million people—were poor. Among young people aged 18 to 24, the rate was 25 percent.

It is only a matter of time before these social contradictions explode. This is the real reason for Merz's turn toward the AfD. Around the world, the representatives of capital are turning to authoritarian and fascistic forms of rule as social tensions intensify. The same applies to Italy and France, and is seen most starkly in the United States, where Trump is establishing a presidential dictatorship based on fascist forces. The Democrats offer no resistance because they represent the same capitalist interests.

Germany's ruling elite regards the US with a mix of fear and admiration—fear of Trump's trade war measures, admiration for his iron hand against workers, migrants and the left. This holds true not only for Merz and the CDU, but also for Klingbeil and the SPD.

The assault on social spending and the danger of war and dictatorship can only be stopped if the working class breaks with all the establishment parties and their accomplices in the trade unions, unites internationally, and takes up the struggle to overthrow capitalism and build a socialist society.



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