Germany’s economics professors call for pension cuts

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In an open letter, 22 prominent economics professors are calling for the complete withdrawal of the government’s pension package, which the Bundestag (parliament) is due to vote on at the end of November, and which is to come into force on January 1. The package is far too expensive, they argue. It aggravates “the structural problems of the pension system caused by demographics” and leads “to an additional shift of burdens between the generations—at the expense of the young.”

Almost everyone with a major name in economics has signed: the three members of the Council of Economic Experts, Monika Schnitzer, Veronika Grimm and Martin Werding; the former chair of the Council, Bert Rürup; and the heads of the economic institutes Ifo (Clemens Fuest), IW (Michael Hüther), Kiel (Moritz Schularick) and Walter Eucken (Lars P. Feld). Jörg Rocholl, the chair of the Scientific Advisory Board of the Finance Ministry, headed by Social Democratic Party (SPD) leader Lars Klingbeil, has also signed.

The letter is a typical example of how so-called science is misused to push a political agenda. The professors join the chorus of industry associations, the Christian Democrat Young Union and other representatives of the wealthy who accuse the government of having delegated the attack on pensions to a commission that is to begin its work in early 2026, instead of launching it immediately.

Previously, 32 business associations had protested against the pension package in a fiery letter to the governing parties, the Christian Democratic Union/Christian Social Union (CDU/CSU) and SPD. It would “finally overstretch the sustainability of the pension system,” they claimed, adding, it was neither generationally fair nor financially viable.

The business associations are demanding the abolition of early retirement without pension deductions for those with long insurance histories (“retirement at 63”), higher deductions for early retirees and a further increase in the retirement age beyond 67. Among the signatories are the employers’ association Gesamtmetall, the foreign trade association BGA, the construction association ZDB, the retail association HDE, the family businesses association and the SME association BVMW.

The Young Union—the *jeunesse dorée* of the CDU and CSU—plays the political spearhead in the attack on pensions. A week ago, they gave Chancellor Friedrich Merz a frosty reception at their “Germany Day.” Their 18 Bundestag members are even threatening to vote against the pension package, which could cost the government its majority and jeopardise the coalition with the SPD. Few people, however, believe the careerists of the Young Union will go that far.

The bone of contention is that the government’s pension package intends to continue the 48 percent lower limit of the pension level until 2031. In practice, this means that a standard pensioner with 45 years of social insurance payments receives approximately 48 percent of their last gross income as gross pension. The net pension is slightly higher because of lower deductions. If the lower limit is not fixed, the pension falls below 48 percent due to the sustainability factor introduced by the SPD in 2005.

The so-called “mothers’ pension,” which the Bavarian CSU has successfully pushed to expand in the package, is also under attack. In contrast to current rules, parents are to receive an additional non-contributory child-rearing period for children born before 1992.

The opponents of the package claim it favours the old at the expense of the young, who must shoulder higher contributions and increasing government debt. The media endlessly repeat this theme. Using demographic statistics, they seek to “prove” that a shrinking number of contributors must finance a growing number of pensioners. In Germany’s pay-as-you-go system, pension contributions are not saved in funds but paid directly to current retirees.

But this is deceitful demagogy. *The real social dividing line is not between young and old, but between rich and poor*. The ratio of workers to pensioners has indeed changed due to longer life expectancy and lower birth rates, but this could easily be offset by technological progress, which enables the production of far more goods with far less labour. Instead, the gains of economic progress flow into the pockets of the rich, and increasingly into war and rearmament.

Pension contributions are paid exclusively by wage-dependent workers and, on a voluntary basis, by the self-employed. There is a contribution ceiling of €8,050 (US$ 9,312) per month. Anyone earning more pays no contributions on their additional income. And the enormous incomes from share ownership, property finance and speculation are completely exempt. They contribute not a single cent to pension financing.

As a result, pensions are already insufficient to live on. But 50 percent of people in Western Germany and 74 percent in Eastern Germany have no other form of old-age provision besides the statutory pension.

In 2024, the poverty rate among senior citizens was 19.6 percent—1.2 percent higher than the previous year. They have a monthly net income below €1,378 (US$1,596). A total of 1.26 million people received basic income support (welfare) in old age, 4.1 percent more than the year before. This trend will continue even under the government's pension package. The 48 percent minimum does not prevent pensioners from falling into poverty; it merely slows the decline slightly.

Pensions in wealthy Germany are low, even compared internationally. At 55.3 percent of last net income, they are well below the European average of 68.1 percent. With an average of €1,450 (US$1,679) per month, they were nominally about the same as in France and Spain.

Of the €402 billion (US$465 billion) taken in by statutory pension insurance in 2024, three-quarters came from contributions. The federal government topped this up by €96 billion (US$111 billion). This sum is the result of the many charges the government has shifted onto the social insurance funds since German reunification in 1990 without providing equivalent revenue. But now that hundreds of billions are flowing into rearmament, subsidies for corporations and servicing growing debts, "we"—in Chancellor Merz's words—can no longer afford the welfare state in its current form.

Thus, industry associations, economists, politicians and the media are pushing for a social scorched-earth policy. Increasingly openly, they express willingness to bring the far-right Alternative for Germany (AfD) into government.

Under the headline "How Business Is Moving Closer to the AfD," news portal *The Pioneer* recently reported: "For a long time, business leaders struggled with the AfD. Now lobbyists are reaching out—some subtly, others quite openly." The AfD could no longer be ignored. "Some entrepreneurs hope the party will provide economically liberal impulses that they miss in other parties."

Voices within the CDU are also growing louder, demanding an end to the supposed "firewall" against the AfD.

The far right is needed to intimidate and suppress resistance to the social onslaught. The AfD's election manifesto contains plenty of social demagogy, such as demanding a pension level of 70 percent. But this is aimed at luring voters. At the same time, the AfD advocates tax cuts and debt reduction. It follows the example of Donald Trump, who showered his election campaign propaganda with social posturing only to surround himself after the election with billionaire oligarchs and create the richest cabinet in US history.

The SPD and the Left Party have repeatedly shown that they support all social attacks whenever they are part of a government. The defence of pensions—like the fight against job cuts, fascism and war—requires the development of an independent, international movement of the working class based on a socialist programme. Banks, corporations and great fortunes must be expropriated, and the economy reorganised according to social need rather than profit.

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