# Debt-ridden local authorities in Germany plan further social cuts

**Lena Sokoll**
**6 August 2026**

Towns and local authorities in Germany are facing an unprecedented budgetary crisis, which will act as a catalyst for the dismantling of public services in the coming years.

The crisis has not come out of nowhere. It has been brought about by the federal and state governments imposing a "debt brake" on themselves, i.e., a strict limit on the debt authorities can incur. At the same time, local authorities are being required to fund an ever-increasing number of services while their revenue is stagnant.

This, too, is the result of a deliberate policy. The cry, "There is no money," is the outcome of a redistribution in which the state protects and allows the profits and wealth of the rich and the super-rich to grow, whilst socialising costs and losses and imposing them on the general public. A small elite is growing ever richer, public coffers have been plundered, and new government debt is being incurred solely to become "ready for war"—and the ordinary population, the working class, is expected to foot the bill.

Just a few weeks ago, the Federal Cabinet launched the largest rearmament budget in the history of the Federal Republic, a measure designed to gear the whole of society towards war. This course of action is incompatible with fundamental democratic and social rights.

The local authority budget crisis invariably means a significant decline in quality of life and living standards for broad sections of the population, as public facilities and services become significantly more expensive, scarcer and scaled back, or are called into question altogether.

Since 2023, local authority expenditures across the country has significantly exceeded their revenue, resulting in a large deficit building up within just a few years. The deficit for 2024 alone reached a record high of €25 billion. In 2025, it rose once again to €32 billion. A further increase in the structural deficit is expected for 2026.

The specific causes are varied and interrelated. One key factor is general inflation, which has been and continues to be driven in particular by rapidly rising energy prices. Until 2020, inflation in Germany was well below 2 percent and was relatively low even by international standards. This has changed in recent years. The general price level rose by around a fifth between 2020 and 2024. For local authorities, operating expenditure (which includes, for example, the management of municipal buildings and vehicles, the provision of social and cultural infrastructure, and the maintenance of paths and roads, etc.) rose by around 50 percent over the same period.

Local authorities' staff costs have also risen significantly, a rise attributable only in part to higher salaries for local authority employees and civil servants. Local authorities now also have significantly more staff than they did five years ago, having taken on additional responsibilities, for example in the expansion of childcare and all-day care at primary schools. Local authorities complain that they are left to cope alone with the funding of these responsibilities, which are assigned to them by federal law, while neither the federal government nor the individual states are contributing their fair share of the costs.

Last but not least, social expenditure has risen. Local authorities are responsible for a comprehensive range of social tasks, encompassing a wide variety of benefits and based predominantly on federal social security legislation. Here, too, local authorities complain that the federal government does not provide sufficient funding for the tasks assigned to them.

Finally, in parallel, local authorities' tax revenues have fallen. These have always been heavily dependent on general economic trends, and during the current period of stagnation, tax revenues remain below the rate of inflation.

The overall picture that emerges is therefore one of a structural budgetary crisis affecting virtually all local authorities nationwide, albeit to varying degrees. This development is clearly a structural problem and not something that can be attributed to local mismanagement.

On the one hand, the local authorities are protesting, and mayors from across the country are demonstratively travelling to Berlin in fire engines to highlight the dire state of local coffers and the cuts now being made in vital areas of public life and public safety.

Nevertheless, there is no fundamental contradiction between federal and state policy, which is being implemented by the same political parties. The Left Party, in particular, is a master at promising social improvements during elections, only to abandon them by citing the "budgetary and legal situation" as soon as it assumes responsibility at local level.

In this sense, local authorities accept that they must resolve their crisis themselves and, in doing so, devise various specific measures which, however, essentially share a common denominator: the working population must bear the burden.

One option is to cut back on voluntary services provided by local authorities—that is, anything they are not legally obliged to provide. The German public last experienced such cuts to local services during the years of the financial crisis following 2008. In practical terms, this means higher admission prices for swimming pools, theatres, concert halls and museums; higher fees for using childcare centres, libraries, music schools and adult education centres; and less support for local health facilities, youth centres, women's refuges, cultural centres and community organisations.

Maintenance of buildings and facilities is being postponed, and when this neglect leads to conditions that can no longer be tolerated and costly refurbishments are required, facilities are more likely to be closed than refurbished. Many public buildings and facilities were built in the 1960s and 1970s and now require urgent refurbishment. Particularly over the last two decades, since the 2008 financial crisis placed a heavy strain on local authority budgets, necessary investments have been deferred, resulting in a deterioration of infrastructure that is now evident in dilapidated buildings, facilities and transport networks.

The municipal investment backlog across Germany is estimated at a total of €200 billion; this means that the budget deficit is actually many times greater than the "mere" shortfall of around €30 billion currently cited in political discussions.

The shortfall in investment is unevenly distributed. North Rhine-Westphalia alone—the most populous and economically strongest federal state—accounts for around €50 billion of this figure. In large parts of NRW, the population has been experiencing a decline in public infrastructure for years, and consequently in its quality of life. By way of example, half of all swimming pools in NRW have been closed over the last two decades.

If this downward spiral of closures and mergers, rather than maintenance through investment, continues, there will not be much left of public infrastructure in areas such as culture and sport.

Another option open to local authorities is to improve their revenue base, for example through tax increases. Only property tax and business rates are local taxes for which local authorities have the power to set the assessment rate. If property tax is increased, it is to be expected that landlords will pass this increased rate directly on to rents, meaning that the working population will once again foot the bill. When it comes to business rates, there has for years been a tendency for local authorities to engage in a race to the bottom, competing to attract and retain businesses with the lowest possible tax rates in order to secure jobs within the local area.

Other charges levied by local authorities—such as those for public transport, waste and sewage disposal, parking permits, etc.—affect the population as a whole when they rise, and in particular those who rely on public infrastructure.

Just like the investment backlog and deterioration of infrastructure, the current local authority budget deficit comes as no surprise but rather as a development that has unfolded over many years, partly brought about deliberately through political decisions and the setting of priorities, or at the very least tacitly accepted.

During the financial crisis of 2008, triggered by criminal speculation on the part of the banks, governments worldwide mobilised trillions from the public purse to bail out the very banks that had caused the crisis. The then German federal government, led by Chancellor Angela Merkel (Christian Democratic Union, CDU) and Finance Minister Peer Steinbrück (Social Democratic Party, SPD), made €480 billion available within a very short space of time for a "financial market stabilisation package."

Once the ailing banks had been saved from collapse at the state's expense, governments began to pass the losses on to the public. In short, the working class was expected to foot the bill for this massive cash handout. This process took place worldwide and was particularly evident in Europe during the Greek debt crisis, where state pensions and other social benefits were brutally slashed and public infrastructure, such as the country's airports, was sold off to international investors.

In Germany in 2009, immediately following the finance crisis, the "debt brake" was introduced, a measure which legally restricted or prohibited the federal and state governments from taking on new debt. This immediately placed politically motivated pressure on the social security systems, which were now increasingly deemed 'unaffordable'.

In parallel with the federal debate on "necessary reforms"—that is, cuts to benefits in the areas of healthcare, pensions, long-term care, social assistance, etc.—new responsibilities were assigned to local authorities, for which the federal government did not contribute sufficiently to the funding, such as the provision of support for refugees, the expansion of childcare centres and, most recently, all-day care in primary schools.

The "empty coffers" are thus the result of a redistribution of societal wealth from the bottom to the top: Whilst the banks and, above all, the financial elite—who had profited from dubious and, in some cases, openly criminal dealings on the stock markets—were systematically bailed out and spared, the ordinary, working population is footing the bill in the form of reduced benefits, rising charges and fees, and a dilapidated infrastructure.

Exempt from the "debt brake," however, is the military build-up, which is being driven forward at an unprecedented pace by the current federal government of the CDU/CSU and SPD under Chancellor Merz, as well as by the previous government comprising the SPD, the Greens and the Free Democratic Party.

Germany is openly preparing to play a leading role amongst the imperialist powers. As the signs point ever more clearly towards a world war involving the redistribution of global resources and spheres of influence, the ruling class in Germany is determined to secure its own slice of the pie, which may well be a little larger, given that German industry is hungry for energy and raw materials.

The debt brake has therefore been suspended here in order to invest a further €500 billion in the massive expansion of the military, in addition to the Bundeswehr Special Fund of €100 billion and the Infrastructure Special Fund of €500 billion.

These costs, too, are being passed on to the working class, as evidenced by the Merz government's current "reform package," which represents an all-out attack on the welfare state and, by extension, the working class. The increasingly dire situation facing local authority budgets must be understood in this context; it is the result of a shift in the burden onto the public purse and is a further lever for dismantling public and social infrastructure.

In this context, no one should be misled as to the nature of the €100 billion which the federal government is channelling from the Special Infrastructure Fund to the federal states via the Federal and Local Infrastructure Financing Act (LuKIFG), with the federal states in turn deciding how much of this is to reach the local authorities. Whilst the aim here is to promote infrastructure, it is in the interests of Germany's "war readiness." This infrastructure funding forms part of the Operational Plan Germany, through which the Federal Republic is preparing for war.

At the very forefront of the LuKIFG's stated purpose, the Federal Ministry of Finance cites "civil protection." However, hospital, energy and transport infrastructure are also to be modernised. A large part of Germany's transport infrastructure is "not designed for military transport," criticised David McAllister (CDU), chair of the Committee on Foreign Affairs in the European Parliament, for example. Tunnels are often not designed to accommodate tanks, and bridges lack the necessary load-bearing capacity.

Local authority representatives understand the thrust of the infrastructure package very well, and support it. Christian Schuchardt, chief executive of the German Association of Cities, commented: "Bringing the infrastructure up to scratch is, and remains, a huge issue for local authorities, even just for civilian use. The Operation Plan Germany has now given the issue added significance. If this leads to greater awareness in federal politics that more funds must be channelled into local infrastructure, that can only be a good thing for us."

The claim that "there is no money" is a lie. Whether money is available or not is decided politically. The debt brake is not a neutral instrument of budgetary discipline, but a weapon directed against the working class. Huge social wealth does exist—it is simply in the hands of the banks, billionaires and (armaments) corporations.

The working class has been plundered by austerity policies for decades and is expected to accept a constant deterioration in its standard of living. It must understand this mechanism and break through its logic: society's wealth must not serve profit interests, be channelled into weapons and war, or be hoarded in the hands of a select few super-rich individuals. Rather, it must be used to meet the social needs of the working population and to enable a good life for all—particularly in viable communities with comprehensive infrastructure in education, culture, healthcare, leisure facilities and sport, with affordable housing, parks and playgrounds and reliable local transport.

To contact the WSWS and the Socialist Equality Party visit:

**wsws.org/contact**