Germany’s 2027 federal budget: Historic rearmament offensive and sweeping social cuts

Johannes Stern
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With the 2027 federal budget, which the Bundestag (federal parliament) adopted on Friday by 316 votes to 260, the Merz-Klingbeil government is advancing Germany’s largest rearmament offensive since the end of the Second World War. At the same time, it is intensifying its attacks on the social gains of the working class. The entire budget debate this week has made clear how closely the war policy is connected to the sweeping social cuts at home.

The scale of the rearmament is enormous. The regular defense budget is rising from €82.7 billion this year to €109.75 billion next year. Added to this is around €29.6 billion from the Bundeswehr (armed forces) special fund. In total, the Defense Ministry will have around €139.4 billion at its disposal—more than €31 billion above the current year’s allocation.

And this is only the beginning. According to the German government’s medium-term financial plan, the regular defense budget is set to rise to €153.9 billion in 2028, €162.9 billion in 2029 and €183.7 billion in 2030. Around €60 billion has been earmarked for military procurement alone next year. At the same time, the Defense Ministry is entering into financial commitments amounting to hundreds of billions of euros for the coming fiscal years.

Eight decades after the war of annihilation against the Soviet Union and the Holocaust, the ruling class is once again transforming Germany into a major military power and preparing for a direct war against nuclear-armed Russia.

Merz threatens Russia

In his speech during Wednesday’s general budget debate, Chancellor Friedrich Merz (Christian Democratic Union, CDU) minced no words. Russia wanted “more than Ukraine,” he claimed. To applause from the governing parliamentary groups of the CDU/CSU and Social Democratic Party (SPD), as well as the Greens, he threatened: “And that is why we Europeans will show Russia its limits, in both senses of the word.”

It is against this backdrop that the massive military support for Ukraine, which is once again set to exceed €11 billion next year, must be understood. Merz explicitly praised the unity of the European powers at last week’s Berlin summit of the “Coalition of the Willing,” which, according to him, had even surprised the American representatives.

As the war continues to expand geographically, with Ukrainian attacks on Russian ships in the Baltic and Mediterranean seas, the European powers are already working on the next escalation. They are preparing to deploy their own ground troops in Ukraine and pressing ahead with rearmament along NATO’s eastern flank. This increases the danger of a direct war between nuclear powers.

Merz repeated the propaganda that Germany was defending “freedom” in Ukraine, only to spell out in the same breath the economic interests associated with its military support. He referred to the ninth German-Ukrainian Business Forum, which took place in Berlin last Friday. Germany was benefiting from Ukrainian technologies in both civilian and military fields. “Valuable economic relations” were being established from which Germany would also benefit.

Behind the policies of the European powers lie concrete economic and geostrategic interests that, particularly in the case of German imperialism, have a long and bloody history. This also involves pursuing interests in Ukraine and ultimately in Russia independently of the United States.

A heavily armed Europe dominated by Germany is to provide the basis for this. Merz declared: “Europe makes us stronger. Europe makes us more resilient. And it is Europe that makes us prosperous and sovereign within the world’s largest single market.”

When Merz speaks of prosperity, the question arises: Whose prosperity? While arms manufacturers are being showered with government contracts worth tens of billions of euros, the government is cutting corporate taxes and the financial oligarchy whose interests Merz represents is enriching itself beyond measure, workers, pensioners and young people are expected to bear the costs of rearmament.

Billions for weapons, massive cuts in social spending

The figures in the federal budget make clear the social priorities of the German government:

- The Health Ministry’s budget is being cut from €21.77 billion to €15.12 billion—a reduction of more than 30 percent. The federal subsidy to the statutory health insurance fund is being reduced by €1.35 billion. Moreover, no new loans are envisaged for the health insurance fund and the statutory long-term care insurance system, for which a total of €5.5 billion had been allocated in the current budget.
- Spending by the Ministry of Education, Family Affairs, Senior Citizens, Women and Youth is falling from €16.66 billion to €15.93 billion. The budget allocation for parental benefits alone is being cut by €440 million.
- Under the accompanying budget legislation, also adopted on Friday, the additional federal subsidy to the statutory pension insurance system is being cut by €3 billion compared to the provisions of existing law. Standard social assistance rates are being frozen until July 2028. The supplementary allowance for children of asylum seekers is being abolished.

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Although the overall budget of the Ministry of Labor and Social Affairs is increasing in nominal terms due to rising expenditure on pensions and unemployment, its share of the federal budget is declining, while the share devoted to military spending is growing massively. At the same time, allocations for basic income support and housing and heating costs have been reduced by a total of around €1.3 billion compared to the original draft budget.

Merz made clear in his speech that this was only the prelude to far more sweeping attacks. “We have only just begun to be truly honest,” he threatened. “The affordability of our country’s social security systems has finally become the subject of a broad sociopolitical debate.”

Specifically, he advocated extending working lives, restricting early retirement without pension deductions and increasingly orienting retirement provision toward the capital markets. The statutory health and long-term care insurance systems are also to undergo further fundamental reforms.

At the same time, Merz praised the gradual reduction in the corporate tax rate by a total of five percentage points between 2028 and 2032 and held out the prospect of further tax relief for businesses. While the government grants corporations tax breaks and has largely exempted rearmament from the constitutional debt brake, the social security systems are effectively being dismantled.

The role of the parties in the Bundestag

When Merz invokes a “sociopolitical debate,” what he means is the consensus within the political establishment in support of his reactionary course. Among the population, by contrast, the policies of war and austerity are encountering growing resistance.

The defense budget was adopted at its second reading on Wednesday with the votes of the CDU/CSU and SPD against those of the three opposition parliamentary groups. The debate demonstrated, however, that the nominal opposition parties also support essential elements of the government’s policies.

Significantly, the recommendation that parliament take note of the financial plan through 2030, which envisages a further massive increase in military spending, was adopted on Friday with the votes of the CDU/CSU, SPD and Greens, with the Alternative for Germany (AfD) and the Left Party abstaining.

The Greens, who as a governing party helped establish the €100 billion Bundeswehr special fund and supported the broad exemption of military spending from the debt brake in March last year, quite openly defended the massive military buildup.

Their budget spokesman Sebastian Schäfer declared that the military threat posed by Russia necessitated a comprehensive rearmament program. His criticism was directed solely at the inadequate mechanisms for parliamentary oversight of arms procurement worth billions of euros.

The far-right AfD criticized the debt financing of rearmament and what it regarded as the inefficient use of the funds. AfD budget committee member Thomas Ladzinski accused the Defense Ministry of lacking the personnel and organizational capacity to effectively translate the enormous financial resources into military equipment. He complained about delays in the procurement of modern weapons systems and the failure of major armaments projects.

The AfD does not oppose German rearmament, but demands a different orientation of the war policy and its more efficient implementation.

The remarks by Dietmar Bartsch, the longtime leader of the Left Party’s parliamentary group, were also revealing. He criticized the level of military spending and the associated interest burden. But his central demand was: “Anyone who talks about fiscal consolidation must not exempt the Defense Ministry.” For Bartsch, therefore, fiscal consolidation itself is not in question; he merely demands that the Defense Ministry also make a certain contribution to it.

At the same time, Bartsch explicitly acknowledged that the security situation had changed and, like the Greens, called for greater parliamentary oversight of military spending. Although he concluded by declaring that rearmament did not create security and rejected the budget, his party’s policies in practice tell a different story.

In March 2025, the state governments of Bremen and Mecklenburg-Western Pomerania, in which the Left Party participates, voted in the Bundesrat (federal council) in favor of the constitutional amendment that made possible the virtually unlimited debt-financed rearmament that the federal government is now implementing.

It was also telling that Bartsch concluded his remarks with explicit praise for Defense Minister Boris Pistorius (SPD). He thanked the minister for his “stance” on addressing sexual harassment and assault in the Bundeswehr. This earned him applause not only from the ranks of his own party, but also from the SPD, the Greens and CDU/CSU deputies.

The necessity of an independent socialist perspective

In stark contrast to the militarist consensus in the Bundestag, an entirely different social development is unfolding. In Germany and throughout Europe, opposition to war, militarism and austerity is growing. Hundreds of thousands of young people are demonstrating against conscription and the destruction of their future. Growing numbers of workers are taking strike action against mass layoffs, falling real wages and attacks on their social rights.

The federal budget makes the connection between these struggles immediately apparent. Rearmament, the war drive and the attacks on the social gains of the working class arise from the same capitalist crisis. They can only be fought together and independently of the bourgeois parties, which support and actively implement these policies at the federal, state and municipal levels.

The Socialist Equality Party (Sozialistische Gleichheitspartei, SGP) and its youth and student organization, the International Youth and Students for Social Equality (IYSSE), are fighting to unite the developing strikes and protests across all national borders and prepare a European general strike against war and austerity. Workers and young people need an international socialist perspective that counterposes the social needs of the vast majority to the profit interests and imperialist great-power ambitions of the ruling class and enables them to overthrow capitalism.

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