

Report from Bonn by Rainer Apel

Downsizing the social welfare state

The new German government has begun its work by taking an axe to the social safety net budgets.

The first big move of the new “red-green” government of the Social Democrats and the Greens, has been to call for “streamlining” operations in the social and labor market budgets. Finance Minister Oskar Lafontaine called for substantial changes in the traditional public insurance system of Germany, under the pretext of “bringing more financial justice” to the social welfare structures. The centerpiece of his plan is to drop the contribution-backed insurance system, which guarantees a minimum income to unemployed workers and social welfare recipients, replacing it with an even lower “minimum income” funded from the state’s tax revenues.

Because this minimum income will not provide enough to live on, the individual will be forced to either work for the balance of the required income, or make use of savings. This, Lafontaine claims, will relieve the state of the burden which it has to shoulder now, for unemployment and welfare.

This is discredited Thatcherite monetarism. But, the critical defect in Lafontaine’s plan is that the general population does not have the level of savings that would allow them to live on them, or from the interest they generate. Most Germans who have been unemployed for a longer time have no savings. And, because they do not have savings, the second aspect of Lafontaine’s plan will go into effect: a clause that decrees mandatory “welfare to work” for every unemployment or welfare recipient.

Lafontaine likes to cite the “U.S. experience” of welfare reform, to promulgate his own plan. This, however,

has provoked protest from the labor movement, which points out that “welfare to work” jobs are poorly paid, often at the U.S. minimum wage of \$5.15 per hour.

The case of New York’s Najab Ouahbi, a young woman who grew up in a family of longtime welfare recipients but has managed to get enrolled at New York City Technical College, is being covered here in the German press, as proving the point. Under the “welfare to work” program, she has been forced to work 20 hours a week as a garbage collector, to cover a share of her welfare check, or she would lose all of her payments. Like her, many Americans living on welfare are being forced into low-paid, part-time, non-union jobs, most of which replace well-paid, full-time jobs. The fact that the AFL-CIO is fighting these projects, is pointed out by the German labor unions and reported in the media.

But Lafontaine’s initiative, which is motivated by the effort to balance the budget in a strictly monetarist way, is not the only assault on the traditional welfare system. Bodo “Bobo” Hombach, who designed the election campaign of Chancellor Gerhard Schröder, and who is now head of the Chancellor’s office, has made proposals similar to Lafontaine’s, or even worse. In a new book, *A New Start: The Politics of the New Center*, published just days after the Sept. 27 elections, Hombach attacked the “all-around safety state” notion of the German welfare system, as outmoded in today’s globalization. He called for anti-dirigist policies to replace this

system with one that would “encourage individual initiative.”

Particularly the public social insurance and pension systems, Hombach wrote, should be replaced by a system based on private pension funds. The citizen would be “free to determine” his future welfare or pension income, because he no longer would have to pay the mandatory withholdings to the state welfare and pension funds, thus giving him some extra cash to work with on the financial markets.

The idea is not new, and it has failed, because the “global financial crisis has overshadowed the private pension funds in the United States and in Chile,” as Lafontaine himself said in an Oct. 22 interview with the daily *Süddeutsche Zeitung*. If he is aware of that, why are he and Hombach proposing to introduce exactly that in Germany?

Here, an aspect of profound immorality enters the picture: The primary agenda of the new government is to balance the budget, and the outlays for welfare, public health, and the labor market are the biggest targets. The budget-cutting axe is going to be applied there; that was the doctrine of the neo-liberal government that was voted out on Sept. 27, and it is the doctrine of the new “red-green” government that has not been voted in—most voters oppose it, but it has taken power in a coup that discarded outright any consideration of a Grand Coalition between Social Democrats and Christian Democrats, which most Germans would have preferred.

It is, by the way, the ecologist Greens who are most vehemently calling for “deep budget cuts,” and who keep campaigning against “any new state borrowing, as long as the debt has not been reduced.” Newt Gingrich’s “Third Wave,” it seems, has found dedicated followers in Germany.