

## Hartz IV: Failing SPD Shocks Germany with Schachtian Cuts

by Rainer Apel

Everyone in his right mind should have assumed that after the election disasters of the past four weeks, Germany's Social Democrats (SPD) would think of some policy innovations aimed at winning back voters. But quite the opposite has happened: The SPD-led German government and the SPD party leadership gave the go-ahead for a "reform" of labor market and social welfare legislation that represents the deepest cut—the worst threat to existing living standards of millions of German citizens—since the founding of this republic in 1949. On July 1, government and party leadership declared their full commitment to the "Hartz IV" legislation (named after its initiator, government advisor Peter Hartz), which will replace both traditional unemployment benefits and welfare by a new standard pay that is markedly lower. The entire package is to go into effect on Jan. 1, 2005, and it will affect at least 4.5-5 million Germans that are now either long-term unemployed, or social welfare recipients. All those in these population groups who have been on the brink of poverty, will be thrown into it by the new policy, and 1.5 million children and youth under age 18 will be a prominent share of these. The number of poor children will triple from the current half million within less than 12 months, welfare and other care organizations have warned.

For those already on social welfare, the changes will, for the time being, not be as big as for those still receiving traditional unemployment pay.

### Mandatory Impoverishment

Currently, if a German loses his or her job, 50-60% of the last average income earned will be paid as jobless support by the state. This may be 700, 800, or even more than 1,000 euros per month. After 12 months (for Germans under age 55) or after 18 months (for those above 55), one enters the category of long-term unemployed citizens, who receive only around 50% or less. And after another 24 months, one becomes a

social welfare recipient who will maximally receive 650 euros per month, but in most cases substantially less.

With the Hartz IV package, the new standard pay for all long-term unemployed (12 months or more out of work) and welfare recipients will be only 345 euros a month for citizens in the 10 western states and the capital Berlin, whereas citizens in the five eastern states will receive 331 euros. This will be the *maximum*, dependent on the following conditions: 1) first living on the sale of any property above a level of 26,000 euros (cars, home, other real estate, life and other insurance) and only after spending those proceeds, will a citizen receive pay under the Hartz IV system; 2) any job offered through the state and private job agencies must be accepted, irrespective of pay below standard levels, qualification, or location even if a long distance from the worker's residence; 3) in case of failing to get a new job, a citizen has to prove that the failure is not her or his fault.

In a situation where according to official data, no less than 1.7 million needed jobs do not exist in Germany; with altogether 4.3 million people (over 10% of the workforce) jobless; with an estimate by independent experts that in reality, the German economy runs 7-8 million jobs short of its needs; these Hartz IV conditions are outright cynicism, an insult to the dignity of the citizen. There is, furthermore, an obsessive ideology in the minds of the neo-liberal designers of the package, that the average jobless citizen must have hidden some 50,000 or more euros in his bank account, insurance policies, and the like. Officially, a half million of the 2.3 million long-term unemployed in Germany are believed to have enough property of their own not to be eligible for the Hartz IV pay for at least one or two years; i.e., they would be cut off entirely until they completely impoverish themselves. Independent experts warn that the allegedly "rich jobless German" does not exist, as a category worth mention.

## SPD Can't Survive Schacht

Since at no time during the 55-year existence of this German postwar republic, have policies been implemented that even come close to Hartz IV, the historical reference point is not even the founding year of the republic, 1949, but rather, the period of the Great Depression of the early 1930s, when citizens were expropriated, and their living standards brutally lowered under the monetarist system of the 1920s Governor of the German Reichsbank, Hjalmar Schacht (who held that post until 1939, and again from 1933 to 1939). Schacht played a crucial role in bringing the Hitler regime to power in January 1933, and served it as cabinet minister for economics from 1934 to 1937. The name "Hjalmar Schacht" is associated among Germans with the shift from "normal *sparpolitik*"—budget cutting—towards brutal austerity, militarization of the economy, and the labor-camp system. Granted, there are no labor camps or militarization of the economy in the Germany of 2004, but there is a big step from "normal" budget cuts to brutal *Schachtian* austerity and expropriation, with Hartz IV. And Hartz V, etc. are already on the horizon.

Most citizens of Germany view the announcement of Hartz IV, by a Social Democratic government, as a disaster. The immediate result will be that more party members, more voters, will turn away from the SPD and the SPD-led government, and this will be felt in the coming elections, especially the two on Sept. 19, for the state parliaments of Saxony and Brandenburg—two eastern states with high jobless rates of 17.4% and 18.6% (the average rate in western states of Germany is 8.1%).

Saxony will decide the future of the SPD, which only got 10.7% of the vote (its lowest ever in any German election) in the last state election there in 1999: Will it remain one of two major parties nationally, will it become a small party, or will it drop into the status of a mini-party? A quarter-million Saxonians are directly affected by the Hartz IV legislation—the SPD may receive even less than that number of votes on Sept. 19.

Whereas the Saxonian SPD lost half of its 1999 vote in the June 13 elections for European Parliament, the LaRouche party, BüSo (Bürgerrechtsbewegung Solidarität, Civil Rights Movement-Solidarity), tripled its 1999 vote—and it is still running far below its real potential. That potential of the BüSo will be tested, with a campaign staff of 50 or more full-time organizers of the LaRouche Youth Movement mobilizing in Saxony during the remaining 10 weeks of election campaigning; and BüSo national party chairwoman Helga Zepp-LaRouche issued the first in a series of campaign leaflets on July 4.

"This time the change will come from Saxony," the headline of the leaflet reads, adding, "*n Sachsen muß die Wirtschaft wachsen*" (in Saxony, the economy must grow—a play with rhyme in German). "Dear Saxonians! The state elections in Saxony can and must become the strategic change of direction

in economic policies, not only for Germany, but for the whole of Europe! Why? Very simple: Because the EU policy, with its Stability Pact and Treaty of Maastricht, and the Hartz IV policies of the Berlin government, fully supported by the opposition, are economically insane and criminal in social terms.

"You, the citizens of Saxony, know that the great historic opportunity of 1989, which then was rightfully called a great moment, has been missed. Instead of modernizing Europe with modern infrastructure and so-called *development corridors* after the fall of the Iron Curtain, as I had described with the program of the Productive Triangle Paris-Berlin-Vienna, there was economic devastation."

## The BüSo Alternative

"But there is a real alternative!" continues Zepp-LaRouche's statement. "We, the BüSo, have presented the concept of the *Eurasian Land-Bridge*, a program to economically integrate the entire Eurasian continent, through infrastructure development corridors. Development corridors along the old Trans-Siberian Railroad and the ancient Silk Road can connect the industrial centers of Europe with the population centers in Asia. Fast trains such as the Transrapid, railways, highways, and waterways must be integrated into an all-Eurasian transport network, and must be connected to energy production and distribution, and communication infrastructure.

"We need productive full employment again. This is only possible in Germany if we again take a leading position in production, via scientific and technological progress, and export 40% of our production. Our natural export markets lie in the East: China, India, Russia, Southeast Asia, Southwest Asia.

"Mobilize Saxony's strength!" the leaflet states, "For Saxony, as a bridge between western Europe and the East, the way out of the crisis lies exactly in this program. . . . From Saxony, the change for all of Germany and Europe can and must emerge. The election takes place at exactly a point in time, when it will be more than obvious that a continuation of the policy of the Berlin parties will lead straight into catastrophe.

"We appeal to you, citizens of Saxony, to bring about, together with the BüSo, a real change. From the Free State of Saxony, a signal can be given, that the citizens are no longer ready to be "gotten rid of," as underlings, but that they, as world-historical individuals, are taking their destiny into their own hands. One system ended in 1989, the second—that of free market economy and of globalization—is now going under in 2004. What we need now, is a real peaceful revolution, which fights for an economic program in the spirit of the Common Good."

With this direct reference to the historical "Monday rallies" of 1989 which brought down the Berlin Wall, the BüSo calls on Saxonians to join new Monday rallies, again.