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German government finalizes its war budget

Unlimited funds for war and armaments, cuts in social spending and higher energy prices—this is the core of the German government’s 2024 budget, which Chancellor Olaf Scholz (Social Democratic Party–SPD), Economics Minister Robert Habeck (Greens) and Finance Minister Christian Lindner (Free Democratic Party–FDP) agreed last Wednesday morning after meetings over several nights.

The agreement is expected to be passed by the Bundesrat and the Bundestag (the upper and lower houses of parliament) on February 2, one month after the start of the financial year.



Federal Chancellor Olaf Scholz on December 13 during his government statement in the Bundestag [Photo by DBT / Florian Gaertner / photothek]

The renegotiation of the budget had become necessary after the Supreme Court ruled on November 15 that the transfer of €60 billion, originally intended to fight the coronavirus, to the Climate Fund was unlawful, tearing a deep hole in the planned expenditure.

The judgment triggered a crisis in the governing coalition. The SPD, Greens and FDP are agreed on the basic issues. They had already planned record spending on the military and massive cuts in social, education and health spending in the original draft budget.

But in view of the growing opposition to the budget, the parties argued behind the scenes about the concrete implementation of the austerity programme. At the same time, they claimed there would be no further social cuts. This, however, was nothing but window dressing.

The end result articulates the interests of the banks and business organisations to which the tripartite coalition is committed. Scholz, Habeck and Lindner agreed to adhere to the debt ceiling in 2024, although it would have been legally possible to suspend it once again, as in the current year. This means that the holes in the budget must be plugged through cuts or additional revenue.

Sticking to the debt ceiling will not only affect the 2024 federal budget, but also that of the following years, as well as the budgets of the federal states and local authorities, which cover a large proportion of education and social spending. In view of rising unemployment figures and sluggish economic growth, further social cuts are inevitable.

The agreement between the three coalition partners allows an exception to the debt ceiling in only one case: a further escalation of the war in Ukraine. The government wants to ensure at all costs a continuation of the carnage, which has already cost the lives of hundreds of thousands of Ukrainian and Russian soldiers.

In a government statement in the Bundestag following the agreement on the budget, Chancellor Scholz declared: “If the situation worsens as a result of Russia’s war against Ukraine—if, for example, the situation on the front deteriorates because other supporters reduce their aid to Ukraine, increasing the threat to Germany and Europe—then we will have to respond.” Scholz said it had already been agreed to propose to the Bundestag that the debt ceiling be exceeded should such a situation arise.

The current draft budget for the coming year includes 8 billion euros for arms deliveries to Ukraine, billions more in aid for the overall Ukrainian budget, and 6 billion to support Ukrainian refugees in Germany. This does not include the 50 billion euros with which the European Union intends to support Ukraine in the coming years, although Germany is contributing a considerable amount to this fund.

Added to this is the highest military budget in the history of the Federal Republic of Germany. In 2024, it will total €85.5 billion—spread across various budget items and special funds—which is 26 percent more than in 2023.

This huge expenditure on war and armaments will not be affected by the budget cuts. As Scholz said in his government statement, the military spending serves German great power interests. He spoke of the “historic opportunity” to “firmly anchor Ukraine, Georgia and the countries of the Western Balkans in Europe once and for all.” This will “benefit the region, but it will also benefit a geopolitical EU,” he added.

The German government also wants to expand its influence in the Middle East. Scholz once again justified Israeli genocide in the Gaza Strip, on the grounds that “pacifying” the Israeli-Palestinian conflict would allow Israel to “focus on the most important threat: Iran and its regional supporters.”

The 2024 budget serves to shift the costs of this pro-war policy onto the working class. The cuts are huge. On top of €30.5 billion already saved in the original draft budget, government spending for the coming year will now be cut by a further €30 billion, including €17 billion in the budget and €12 billion in the federal government’s climate fund. By 2027, the savings in the Climate Fund will amount to €47 billion.

The sum of €1.5 billion is to be cut directly from social spending, including €600 million from the subsidy for statutory pension insurance and €250 million from the further training bonus for recipients of Bürgergeld (the citizen’s allowance, a form of welfare payment). Sanctions against recipients of Bürgergeld who refuse a job offer are also to be tightened once again.

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Other measures will also affect working class households, and low earners in particular. For example, prices for electricity, heating and gasoline, which have risen sharply as a result of the sanctions against Russia, will be driven up further by the removal of subsidies and the imposition of additional taxes and levies. The €5.5 billion federal subsidy for electricity grid charges will be canceled and the CO2 levy on fossil fuels will be increased from €35 to €45 per tonne.

However, subsidies for large corporations such as Intel, which will receive €10 billion for the construction of a chip factory in Magdeburg, and the assets and incomes of the rich will not be affected. Although Germany's DAX share index reached a new record high last week and the number of billionaires and millionaires is constantly rising, the SPD, Greens and FDP categorically reject the introduction of a wealth tax or higher taxation for those at the top of the income ladder.

With regard to the Climate Fund, €13 billion that was earmarked for the renovation of Deutsche Bahn's (DB) dilapidated rail network has been completely canceled. Instead, DB's equity is to be increased so that it can obtain loans more easily and finance the renewal of the network itself. The additional capital is to be raised through the sale of the profitable logistics subsidiary Schenker. A sale of the remaining federal shares in Deutsche Telekom and Deutsche Post, which together are worth around €28 billion, is also being considered.

This shows the absurdity of the claim that the debt ceiling serves to protect future generations from excessive debt. Instead, the family silverware is being sold off and thrown to the profit sharks. Urgently needed action on climate change, upon which the fate of future generations depends, is being postponed further.

Three months ago, we wrote that the 2024 federal budget was “a war budget in two respects: it plans record spending on war and armaments and declares war on the working class by significantly reducing social spending.” The revised budget has confirmed this.

In order to finance its wars and increase its profits, the ruling class is capable of anything. This looting operation is supported by all the establishment parties. If anything, they accuse each other of not being aggressive enough. The same applies to the trade unions, which—like Verdi in the public sector—are responsible for real wages falling due to contracts that impose wage “rises” far below the rate of inflation.

The budget heralds fierce class struggles. Workers must prepare by organising themselves independently and uniting internationally to overthrow capitalism and reorganise society on the basis of socialist principles. This programme is fought for by the Sozialistische Gleichheitspartei (Socialist Equality Party) and the International Committee of the Fourth International.

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