

# German Social Democrats, Conservatives agree on Talks to Form Coalition Government

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After the third round of exploratory talks on Thursday last week, the representatives of the Social Democratic Party (SPD) and the Christian Democratic Union/Christian Social Union (CDU/CSU) have agreed to enter into negotiations to form a grand coalition. The CDU executive then confirmed this on Friday. The SPD held a party convention on Sunday, which voted with a large majority in favor of coalition talks. The talks will start on Wednesday.

A meeting of the three party leaders, Angela Merkel (CDU), Sigmar Gabriel (SPD) and Horst Seehofer (CSU) had cleared up the last obstacles to the coalition negotiations. During the exploratory talks, there were conflicts over reform of the federal system and the expiry of the system of fiscal equalization between Germany's *Länder* (states). In the end, both delegations agreed unanimously to begin coalition negotiations.

So far, only fragmentary information has emerged about the talks. The SPD convention passed a resolution dropping any demand for tax increases for the rich. Gabriel said it would be difficult to implement social-democratic policies after the CDU emerged strengthened from the elections. "I will not hide the fact that this makes the situation extremely difficult," the SPD leader said at a congress of the IG BCE union covering the mining, chemicals and energy sectors.

The SPD uses such formulations to cover up its own anti-social programme. Its election campaign demands were never more than empty phrases. With its Agenda 2010 assault on welfare and labour rights when in government, the SPD is responsible for the deepest social cuts since the Second World War. According to media reports, it proposes to head the finance and labour ministries, areas that will play a central role in developing new cuts.

CSU General Secretary Alexander Dobrindt emphasised this orientation; growth, financial stability and employment in the next four years would be at the heart of government work, he said. "We have the impression that we can find common solutions in a coalition agreement to these mega-issues"—a euphemism for wage cuts and cuts in social spending. This is the programme that the grand coalition will enforce.

According to the constitutionally mandated "debt ceiling," from 2016 the federal government may not take on any new debts over 0.35 percent of Gross Domestic Product (GDP) in the current budget. From 2020, the federal states are prohibited from carrying out any net borrowing. Already, many of Germany's federal states face insolvency.

Municipalities have also been hit particularly hard by social cuts at the federal level. Moreover, they have lost income due to cuts in business taxes. From 2007 to 2011,

municipal debt rose from €111 to €130 billion. Nearly €48 billion of this consists of so-called cash advances, which are intended only to bridge short-term bottlenecks and are particularly expensive.

In this tight budgetary situation, the bank bailout threatens to tear new holes in the federal budget. Of about €290 billion provided in 2008 and 2009 to rescue the German banks, only 15 percent has been repaid, according to a recent IMF report.

In addition, the guarantees for the euro rescue consisting of at least €300 to €400 billion are rapidly maturing. Last week, at the behest of Brussels and Berlin, the Italian government approved a brutal austerity budget that will deepen the two-year recession the country has already experienced. In relation to Greece, experts have long agreed that the country should have a debt “haircut” and needs other emergency loans to avoid national bankruptcy. That would directly impact the German budget to the tune of at least €10 billion.

Under these conditions, a grand coalition would have the task of recouping the billions from the population and creating “Greek conditions” in Germany. An important question for the coalition negotiations will be how this agenda can be enforced against popular opposition.

The central axis in this project will be introducing a minimum wage. The SPD conducted its election campaign with a demand for a minimum wage of €8.50 an hour, while the CDU rejected a nationwide minimum wage.

In recent days, several Union (CDU/CSU) politicians have already signalled agreement on this question. Seehofer told the *Süddeutsche Zeitung* that he was willing to accept a minimum wage of €8.50 if the SPD waived taking on new debt and pushing through tax increases. Hesse state premier Volker Bouffier (CDU) has also agreed to a minimum wage. The same applies to Labour Minister Ursula von der Leyen (CDU), who spoke at the IG BCE congress for a “nationwide minimum wage.”

After Thursday’s talks, Gabriel said, “The Union knows that a universal legal minimum wage of €8.50 is a central issue without which a coalition would not make sense in the eyes of the SPD.”

Such a mini-minimum wage would not increase the incomes of most workers already on a low wage, many of whom already depend on state benefits. Even the Labour Agency regards €8.50 as a low wage.

This is why the SPD’s plans have the support of most German companies. A survey conducted by polling organisation Forsa among German executives in July found 57 percent of managers favoured a statutory minimum wage; on average, they advocated one of €8.88.

Far from combating poverty, such a minimum wage would serve to enforce the upcoming social attacks. It would become the standard wage, leading to a depression of the general wage level. And it would serve as a political means of creating a broad front of social cuts. In this way, it will be made easier for the trade unions, the Left Party and its pseudo-left devotees to support the government.

The Left Party has already indicated its support for such a project and announced it will vote for a minimum wage well below the €10 level it had previously demanded. With the invitation for Merkel, Gabriel and von der Leyen to attend its congress, the IG BCE is

signalling support for a grand coalition on behalf of all the trade unions.

The Greens are also prepared to support this policy. After breaking off the exploratory talks with the CDU last week, they want to keep open the possibility of a CDU/CSU-Green Party coalition in the event the CDU-SPD coalition talks fail. The main motion at the Green Party conference next weekend deliberately keeps this option open.

However, if a grand coalition does materialise, the Greens and the Left Party will be of great importance in their role as a loyal opposition. Even though the SPD and CDU have a two-thirds majority in the *Bundestag* (lower house of parliament), they lack a majority in the *Bundesrat* (upper house) if it should come to a grand coalition in the Hesse state legislature. The CDU and SPD would then have to depend on the support of at least one opposition party in the *Bundesrat* .

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