

## Report From Germany by Rainer Apel

### The CDU's Neo-Con Economics

*The Christian Democratic Union is borrowing from the bankrupt programs of American neo-conservatives.*

Coercing the German Chancellor, Social Democrat Gerhard Schröder, into military and financial support for the Bush Administration's war drive, has proven impossible for the Cheney-Rumsfeld group, because the German government has consolidated its anti-war position through consultations with France and Russia. Replacing Schröder by "regime change" of the kind that Dick Cheney's neo-conservatives have advocated, has proven difficult as well, because the chairwoman of the opposition Christian Democratic Union (CDU), Angela Merkel, cannot rally a majority in the parliament. Her support for the Iraq War earned her the lowest popularity ratings of any CDU leader in 54 years.

There is only one option for "regime change"; namely, Schröder's failure to deal with a massive increase of unemployment and worsening of the disastrous budgetary situation. This, the neo-cons hope, would lead to the formation of a Grand Coalition government of Social and Christian Democrats. Having the CDU under firm neo-conservative programmatic control would then ensure that the Social Democrats, who have already capitulated to many aspects of free-market economic and financial policy, will pursue a program more in line with the American neo-cons.

This shift is exactly what Merkel and the executive of her CDU party have begun to advocate, since the end of September. On Oct. 3, at the celebrations of Germany's reunification 13 years ago, Merkel in a speech called for a shift away from Germany's traditional social welfare state (*Sozialstaat*), toward a course of rigid bud-

get consolidation. From now on, the individual citizen will have to take care of his social security and health care himself, she said, through a private-initiative system that would replace the public insurance system that Germany has had for about 120 years.

Two days later, the CDU executive formally adopted—as a draft proposal for the new party platform—the recommendations of the Herzog Commission, named after its chairman, former German President Roman Herzog. The new "social policy," in essence, means the introduction of an "American-style" system, for predominantly private coverage of health insurance and pensions. The traditional German principle that every member of society contributes to a common insurance fund according to his or her financial standing, but receives health-care benefits and retirement income or social welfare payments on a relatively high average standard, would be eliminated, as would be the insurance contribution of employers. Health insurance should be based, the Herzog report says, on a standard individual monthly fee of 264 euros, irrespective of one's actual income. Employers' contributions to the social security and health system would be radically scaled down.

The new system would provide for health care and pensions only at a "basic needs" level, which resembles what the United States has gone through under the HMO "reforms." Everything going beyond that, would have to be covered privately—an option that simply does not exist, for Germans in the low-income categories—about 20-25% of the 82

million population.

This radical change, the CDU leadership argues, is necessary because of Germany's aging population and high unemployment. This argument is ludicrous, because the only way to deal with the very real demographic problems, is for the state to initiate extraordinary measures for expanding employment and productivity. Only that would improve the state's tax revenue situation, as well as the financial situation of the public insurance system, which would then receive higher monthly contributions from working Germans. The fact is that unlike the present zero growth rate, even a modest economic growth rate of 3-5% and a corresponding reduction in unemployment would mean the disappearance of all funding problems for Germany's social security system. And, it would rapidly resolve the state and national fiscal crises, which is caused by the shrinking tax revenue base.

Roland Koch, Governor of the state of Hesse, is one of the main CDU promoters of the social policy paradigm shift. For years, he has had very close relations to neo-conservatives in the United States, notably to Tommy Thompson, the Bush Administration's Secretary of Health and Human Services. Koch has known Thompson since the latter was Governor of Wisconsin, and has tried, so far with little success, to introduce in Germany the "Wisconsin Model" of welfare-to-work policies. While Angela Merkel was speaking in Berlin on Oct. 3, Koch met Thompson during an event in Washington, D.C., organized by the German Embassy, and discussed the new CDU policy with him. Thompson hailed Koch as the "next German Chancellor"—which underlines that "regime change in Germany" is still on the agenda of the American neo-conservatives.