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German government's "Inflation Compensation Act:" More money for the rich

Record inflation and skyrocketing energy prices are plunging hundreds of thousands of working families in Germany into a desperate struggle to survive. But the response of the German government is to shower the super-rich with more cash gifts.

That is the core message of the so-called "Inflation Compensation Act," which Federal Finance Minister Christian Lindner (Free Democratic Party-FDP) presented this week, to be approved by the cabinet in September.



Finance Minister Christian Lindner in the Finance Committee of the Bundestag [Photo by Deutscher Bundestag / Janine Schmitz / photothek] [Photo by Deutscher Bundestag / Janine Schmitz / photothek]

Even economists close to the government admit that Lindner's proposal accelerates wealth redistribution from the bottom to the top. "A reform in which higher earners nominally gain more simply comes at the wrong time," Veronika Grimm, a member of the German Council of Economic Experts, told the *Rheinische Post*.

Jens Südekum, an economics professor in Düsseldorf and advisor to the German government, told *Der Spiegel*: "This package will provide relief for all income brackets, and there is simply no time for that at the moment. People with high earnings actually benefit the most from the measures in absolute terms. Those who earn very little money are not helped by the tax measures. In view of rising inflation, we would need redistribution from top to bottom, not the other way around."

There were also isolated critical voices from the ranks of the other "traffic light" government coalition members, the Social Democratic Party (SPD) and the Greens. But this means nothing. Rather, it shows in an "almost ideal-typical" way "how the traffic light system works," as the conservative *Frankfurter Allgemeine Zeitung* cynically commented. "Everyone loudly raises his claim... but the goal of reaching an agreement is kept in sight."

When individual government advisors and politicians publicly criticize Lindner, it is out of fear of a "hot autumn." Professor Südekum states this openly in his interview with *Der Spiegel*. He fears that there will be protests not only against high prices and poverty, but also against the Ukraine war.

In response to *Der Spiegel's* question, "Do you expect political radicalization and a hot autumn?" he replies: "Of course, radical parties will cannibalize the situation. But if the price of gas goes through the roof in the winter and the state leaves poorer people to fend for themselves, solidarity with Ukraine will also crumble... So we have to find a social solution so as not to play into the Kremlin's hands."

The government will not be swayed from its course by such objections. SPD Chairman Lars Klingbeil told broadcaster ZDF's morning show that while he had "different ideas in detail," Lindner had sent the "right signal" with his plans.

Chancellor Olaf Scholz (SPD), who was himself finance minister under Chancellor Angela Merkel, immediately backed Lindner and expressed his "fundamental goodwill."

Speaking to broadcaster ARD, Scholz said Lindner's proposal was "very helpful." Since he himself had compensated for tax bracket creep when he was finance minister, this "could not be an obviously wrong idea," he said.

Tax bracket creep means that middle-income groups automatically move up to a higher tax rate when their wages are increased, leaving nothing of the increase. Lindner uses this as an excuse to cater to his rich clientele.

He wants to provide a total of €10 billion in relief for 48 million taxpayers by increasing the entry and top tax rates. This corresponds to an average of €192 a year, but it is distributed highly unevenly. Top earners with an annual income of over €62,000 will save just under €500 euros, while high-earning married couples will save up to €2,000. A family with two children and an income of €30,000, on the other hand, will save at most €300 euros. Those earning under €10,350, the threshold for paying income taxes, go away completely empty-handed.

Lindner's tax reform is only the tip of the iceberg. The present inflation rate, officially 7.5 percent, is melting incomes like glaciers facing global warming. The trade unions, which are in cahoots with the government, are doing everything they can to keep wage settlements far below the inflation rate.

Especially with rising gas prices—a direct result of sanctions and the war against Russia—working class households are facing devastating burdens while the big energy companies are raking in billions in profits.

A typical family will have to pay several thousand euros extra for its home gas bill. Energy suppliers have already started to send out higher bills. Cologne energy supplier Rheinenergie will start jacking up prices by 116 percent beginning October 1. An average bill of €2,800 a year for gas will leap to over €6,000, corresponding to a monthly increase of €270.

The government had promised to remedy the situation. But so far it has only decided on a one-off lump sum subsidy of €300, which will be paid out in September and is subject to taxation. It is intended as compensation for high gasoline prices and does not even cover one month's worth of higher energy prices.

At the same time, the government itself has driven up the price of gas for home heating and cooking even further by passing a gas levy that will be charged to all gas consumers. The levy is being used to offset the losses suffered by municipal utilities and intermediaries such as Uniper, which cannot immediately pass on increased purchase prices to their customers. Thus, the money flows into the coffers of the big energy companies, which are making super profits thanks to high world market prices.

Lindner's inflation compensation law demonstrates the class character of the "traffic light" coalition, which unreservedly represents the interests of the capitalists against the working class.

In order to defend the profits of German corporations and banks, to make Germany the leading military power in Europe and to intensify the proxy war against Russia in Ukraine, it is prepared to walk over corpses and smash all social and democratic gains of the working class.

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