

The citizen's income (Bürgergeld) – the frontal attack against the social welfare state

Current Situation

In the current discussions unconditional basic income and solidary citizens' income are faced with new discourses. The model of Althaus' model being financed by income tax is presently still waiting for the final evaluation by the private Hamburg Weltwirtschaftsinstitut (HWWI) scheduled for autumn 2009. In the meantime on the 17.02.09 an e-petition for the introduction of an unconditional basic income was rather successful. However, the approximate 53.000 signees only took the hurdle of the subscription deadline after an extension. The petition is aimed for a consumer tax financing and will be passed on the petition board of the Bundestag.

One of the main reasons which have led to the broad discussion of the differentiated models may have been the non-acceptance that the Hartz IV legislation has brought about. For those who are kept in leading - strings, the engagement of the justice apparatus about the smallest amounts of Euros and the fear of the labour force to sink to this level opened up new paths.

The Models Available

Both models have in common an apparent provision that secures the existence through unified, fixed amounts of Euros. These will be granted to everyone without verification of need. In both cases the introduction of the basic social provision (*Grundsicherung*) is tied to the abolition of all existing social transfers. State-run security systems like the state pension plan and unemployment insurance should be completely privatised by that. Housing allowance, parental allowance and the like will be disposed altogether. For a higher wanted self-provision with all its risks quintessentially everyone is solely responsible for themselves.

The Petition of consumer financed variant

Susanne Wiest – the main initiator – is basing the initiative on her own experience. Video passages at Youtube and other internet portals support her activities. She is demanding an unconditional transfer of 1500 € for each grown-up and a 1000 € for each child – financed through a “high consumer tax”. Simultaneously she wishes for the abolition of all existing transfer provisions, subsidies and taxes”. The petition leaves aside any financial calculations and does not account for any proposals for the necessary health and social insurances. Lacking figures therefore make an evaluation of the real impact of securing one's livelihood extremely difficult. The ministries concerned are required to comment on it after the appointment of the petition committee. The discussion of VAT financing up to now found relatively few supporters and is by no means as advanced as the model of financing through the income tax of the Union (CDU / CSU). The petition itself will be surely accompanied by media coverage through different lobbyists.

The „solidary citizen's income“

Thuringias Prime Minister Althaus (CDU) presented a model to the public for a while which is based upon the financing through income tax, the so-called “solidary citizen's income”. This scheme offers a 2 phased construct of a basic income to everyone – however founded on the income. Grown-ups should receive an unconditional citizen's income of 600 €, for a monthly income of up to 1600 €. If the income is more than 1600 € an entitlement of 200 € is granted. Children under 18 years of age without own earnings should receive 300 €. In all cases a sort of option of a partial provision of a guaranteed minimal private health and long term care insurance amounting to 200 € should be created. The continuation of payment in case of sickness shall be dropped. Subsidising the citizen's

income is facilitated by a two stage tax model. The planned starting rate of tax for incomes up to 1600 € will be 50 %. For all incomes above this only a top income tax rate of 25 % will be applied. The slogan of the CDU “performance should pay off” therefore will have a different significance. Also with this model almost all social achievements will be abolished.

What remains

The bottom line is that persons concerned with it in the lower and middle income groups will only have more disposable income on the first glance, as in all variants the new individual responsibility will grab deeper into the wallet as initially thought and as happily promoted by the supporters. The intended abolishment of the unemployment insurance and pension fund as well as the continuation of payment in case of sickness leaves the subjects to be faced with the private insurance market without assistance. Not only new social marginalisation is to be suspected as in the case of the hitherto privatised occupational disablement insurance. The higher burden resulting by a purely privately financed protection in all areas is barely accounted for. Especially through the discontinuation of the national insurance contributions of the employers a disadvantage is created, as it is this sum which is exceeding the present self contribution to the social insurance system disproportional. The scenario, that labour unions could push through higher wages in order to compensate for a higher additional expenditure of workers for their social protection in relation to pension, joblessness and health insurance as a result of the abolition of indirect labour costs (**Lohnnebenkosten**) is propagated not only by parts of the CDU. In a retrospective analysis of the real income this position has to be regarded as an illusion.

Mentioning an actual tax rate of 50 % for the income range of up to 1600 € emerged quickly as contra productive. Therefore one adapted to a far more digestible and easy to communicable phrase: the so-called Negative – tax – principle for incomes below 1600 €. Like this the plain truth is avoided that small to medium earners have to burden the tax reductions of the higher income groups. An income of 250.000 € for instance under the new “solidary citizen’s income would results in a rich tax advantage of about 37.800 €. The average income, however, would be faced with tax increases and considering the requirements of private provision would equate with a net loss for a few thousand Euros. The smaller your own income, the more unrealistic is a participation in the social protection.

The interweavement of interests

Not only politics is working on this issue. Ambitions of neo liberal economists and different employer associations to “get rid off the whole social state and its clientele with one blow” ¹ are no secret any longer ever since the foundation of the Initiative New Social Market Economy (**Initiative Neue Soziale Marktwirtschaft - INSM**).

Therefore it is not surprising that that the ambassadors of the INSM are putting all their efforts into supplying absent figures for a feasibility study. As by implementing the citizen’s income a few aspects could be facilitated at the same time:

- Creation of a market worth billions through the privatisation of all social insurances
- Abolition of the indirect labour costs resulting in higher profits
- The introduction of a comprehensive minimum wage would be avoided
- The extension and the consolidation of the low wage sector

Prof. Dr. Thomas Straubhaar, consulting the INSM ², is also the director of the private Hamburgischen WeltWirtschaftsinstitutes (HWWI). The HWWI is having a “branch office in Thuringia” in Erfurt and is organising the bridge between Thuringias Prime Minister Althaus and the INSM. By presenting a scientific study titled “unconditional basic income and solidary citizen’s income – more than a social utopian concept” the private institute aims at justifying the feasibility of the citizen’s income. In autumn 2009 a concluding evaluation should be issued by the HWWI on the ability to finance the model. It is uncertain whether the trio is waiting for the outcome of the general election or whether the paper is going to be published before.

The Frontal Attack

Not only in the mentioned paper by Straubhaar, the positioning becomes clear and there is no doubt, which path is favoured **3**:

“Likewise all social policy motivated regulations of the labour market are being deleted. In plain words: There is no protection against dismissal any more, but redundancy packages agreed upon internally. There are no broad collective agreements and no minimum wages any longer, but individually negotiated salaries varying between company and company. There are no social policies and clauses anymore. Today’s contributions to the national insurance are deleted without replacement”. So Staubhaar continues “but not the minimum wages or the minimum prices are asked for. A minimal provision and general minimum standards for all is to be fixed – not more, but also not less.” And “in return almost all tax and social contributions are abolished. The state pension plan, unemployment or long term care insurance will vanish just like the unemployment benefit II, social security as well as housing and parental allowances.

Pandoras Box?

That German internal levels of income development have hitherto influenced the European markets is suggested already in the title of “German wage politics is blowing the European monetary union” by Flassbeck / Spiecker **4**. The consequences of the planned abolishment of current contributions to national insurance by the employers would therefore be significant.

Now, the CDU / CSU, INSM and HWWI are predicting, an additional incentive shall be introduced so that any work should be accepted at any price through the citizen’s income. This is only possible when the solidary citizen’s income is not fulfilling its provision of existence. And indeed, the solidary citizen’s income is anything else but based on solidarity: it is considerably under the poverty line defined by the European Union **5**. It can rather be expected that further pressure is imposed upon all parties concerned through the target-oriented erosion of the social welfare stated. The low wage sector in the lower single-digit hourly wage zone will be extended. Althaus refers here to about 1,17 million new jobs. Like this the minimum wage can be avoided through the granted unconditional basic income: as with a clear conscience the addition of the citizen’s income is provided. Pressure upon our European neighbours to review their solutions for existent minimum wages would not take long to wait for.

Future

It is more or less not addressed how the basic provision in the named models will orientate on inflationary tendencies and how required adjustments of reference parameters are subject to individual political power relations in the future. As a result of this it can be expected that boundaries for taxation would hit the lower income groups once more, while the higher income layers will not be affected. It is evident within the Hartz IV transfers already, how a delayed adjustment of the amounts received affects the recipients. Debates of the IF and HOW that lasted for years show that the ones in need are left out in the rain.

The well hidden aims and entanglements of the political landscape have hitherto not been explicitly decried with a high publicity effect yet. But the now emerging campaigning for the general election coming up allows for these points to be addressed. Yet, it may be feared that in the face of the current economic crisis and its expected new deficits within the social insurance systems, that the debate amongst the supporters of the citizen’s income will gain influence again. Possible alternatives and fractions of the sectors minimum wages, income thresholds, civic insurance, extension of the circle of those insured and so on should show their strengths in this debate today. Furthermore notions of job security and employment guarantees can be emphasised and justified by the application of cuts in working hours as the mechanism of short-time work reveals. The strongly required antipole to the envisaged clear-cut within the social security systems has only to be placed clearly.

1 Prof. Dr. Christoph Butterwegge: Das Parlament, Beilage „Aus Politik und Zeitgeschichte“ Nr.51 2007, 17.12.2007 <http://www.bundestag.de/dasparlament/2007/51-52/Beilage/004.html>

2 www insm de

3 aus HWWI-Update, 05/2006, S. 1-3

"Grundeinkommen: Nachhaltigkeit für den Sozialstaat Deutschland"

4 Flassbeck/Spieker, »Die deutsche Lohnpolitik sprengt die Europäische Währungsunion«, in: WSI-Mitteilungen 12/2005

5 Statistisches Bundesamt: Pressemitteilung Nr.028 vom 21.01.2008 „LEBEN IN EUROPA 2006“
Stand für 2005: Armutsgefährdung bei weniger als <60% des durchschnittlichen nationalen Arbeitnehmereinkommen = 781€ monatlich. Als arm gilt, wer weniger als <50% hat = 650€

Quelle: www.initiative-gm.de

This is a translation of the document »Das Bürgergeld – Der Frontalangriff gegen den Sozialstaat«