

GERMANY IS MARCHING TOWARDS SOCIALISM

Europe's largest economy is heading in an ever more left-wing direction thanks to the rise of the Greens and weak national leadership

by Rainer Zitelmann

When I published my book "The Power of Capitalism", the most common objection raised in the ensuing discussion was that "everyone knows that capitalism is superior to socialism. Is there really anyone out there who wants socialism, a planned economy, or nationalisation programmes?" Because I had interpreted the signs differently, I wrote the book as a warning. I would have been happy to be wrong, but unfortunately the urgency of my warning is confirmed anew every day in Germany. Here are just two examples.

Germany's automotive industry is being restructured as a planned economy. Germany's core industry is undergoing a major restructuring process – following in the footsteps of the country's energy industry.

The mechanisms behind the transformation are the following: the EU has adopted the following targets for "fleet average emissions"; by 2021, newly registered cars in the EU will be only allowed to emit an average of 95g of CO₂/km.

This is equivalent to average fuel consumption of 3.6 litres of diesel or 4.1 litres of gasoline per 100km. The proposals for the tightening of CO₂ limits until 2030 include the following elements: CO₂ emissions from new vehicles will be cut by a further 15% by 2025 and by a further 37.5% by 2030. The state is forcing companies to produce zero-emission/low-emission vehicles (typically in the form of electric cars). If more than 15% of the vehicles sold by a manufacturer in 2025 and more than 35% of the cars they sell in 2030 are zero or low-emission vehicles, the manufacturer will be rewarded with less stringent CO₂ emission targets, consumption meters will be fitted to vehicles to monitor real-world CO₂ emissions. The results will be published annually for each manufacturer.

In effect, this means that certain passenger cars – particularly smaller models – can no longer be produced. It is no longer companies and consumers who determine what is produced, but the state. But consumers have proved resistant – despite excessive subsidies – and have not been buying anywhere near enough electric

vehicles. It has become clear that Chancellor Angela Merkel is not going to achieve her target of having one million electric vehicles on Germany's roads by 2020. As a result, car companies are now being forced to comply with government requirements rather than consumer wishes.

The second logical step is further massive state intervention in the economy. The German Economics Ministry, which was originally established as the watchdog of Germany's free market economy, has since become a planned economy ministry.

As the economist Norbert F. Tonfall puts it: "Germany's Chancellor does not seem to recognise the inherent contradiction in terms between the EU's excessive environmental regulations for the car industry, coupled with her own government's energy policy, which is committed to phasing out nuclear energy and coal, both of which are promoting long-term de-industrialization in Germany, and her government's 'National Industrial Strategy 2030' on the other hand, which she and her Economics Minister have designed to achieve precisely the opposite. The presumptuous primacy of politics in one field seems to entail the primacy of politics in other fields. According to Ludwig von Mises, one could speak of a cross-sectoral spiral of intervention."

Private property ownership is also being undermined, and nationalisation is being given a socially acceptable face. Until very recently, demands for nationalisation in Germany were the exclusive preserve of Germany's left-wing Die Linke party, Germany's radical-socialist party, which was formerly known as the SED in communist East Germany and has since repeatedly rebranded itself.

Over the last couple of years, calls to nationalise key industries have become socially acceptable. Robert Habeck, chairman of Germany's Green Party, which, according to opinion polls this year is now the second

strongest party in Germany (behind Angela Merkel's CDU) and by far the strongest party in the capital Berlin, has declared that it could well become necessary to nationalise privately owned property. Some of Germany's leading journalists have also spoken out in favor of nationalisation programmes, and opinion polls in the capital Berlin have also registered majorities in favour of such measures.

State interventions in the housing industry are becoming increasingly drastic. The government introduced its rent controls, the so-called "rent brake," as early as 2015. The rent brake swept away the contractual freedoms that had previously existed between landlords and new tenants in existing residential buildings. In areas with "overheated housing markets" (and this includes virtually every major city in the country), the

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rent charged for new rentals in existing apartments may not be more than 10 percent above the "local comparative rent" (or the rent paid by the previous tenant).

However, this law has not been able to override the natural market mechanisms of supply and demand. Because the supply of housing in Germany's largest cities falls well short of satisfying the intense demand created by expanding populations, rents have kept on climbing. For anyone who accepts the logic of state intervention, it is clear that the regulatory screw needs to be tightened even more.

On January 1st earlier this year, a more stringent version of the rent brake was enacted. It seems as if politicians, having realised that they will not reach their goals by following their chosen path, have simply decided to run even faster – in the



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wrong direction. Germany's centre-left party, the SPD, which serves as the junior coalition partner in government with Angela Merkel's CDU party, is already calling for the country's rent controls to be tightened yet again. The party has called for a "rent freeze." And in Berlin, the SPD has proposed a rent limit of euro 6.00-7.00/sqm as an alternative to the expropriation of housing companies.

At the same time, the capital Berlin, which is ruled by a tripartite coalition of SPD, Die Linke and the Greens, is increasingly overrun by so-called "neighbourhood protection zones." In

such areas, it is no longer property owners who decide on which structural changes to make to their buildings, but the state. For example, an apartment owner was blocked from extending an 80-cm-wide bathroom because the authorities decided that 80 centimetres is in keeping with a "contemporary standard of housing."

And, when real estate is sold, the state is increasingly taking advantage of its legal right of first refusal – and not only in Berlin, but also in Munich and other major cities. The authorities regularly intimidate sellers by claiming that the state will step in as a buyer whenever a sale is imminent. The only way for a real estate owner to avoid this is by signing over many of their rights to self-determination to the authorities. For example, the strict terms of such agreements mean that landlords are no longer allowed to partition their property into condominiums.

Of course, none of these measures do anything to eliminate the real causes of the housing shortage. Nor do they create a single new dwelling. One of the prime causes of Germany's housing crisis is that

housing construction has become overly expensive as a result of ever stricter environmental regulations, which make it almost impossible to build affordable apartments. So the state now has to force developers to construct affordable housing by withholding building permits unless they include a certain percentage of social housing.

These measures do not actually abolish private property, but all that remains is the formal legal title of ownership. The power to freely dispose over the property is torn from the owner and increasingly handed over to the state.

This path has only one ultimate destination: nationalisation. In Berlin, activists launched a petition calling for a referendum on whether all private housing companies with more than 3,000 apartments should be nationalised. But it will not end there. One of the SPD's youth branches, the Jusos in Berlin-Pankow, has called for all landlords who own more than 20 apartments to be expropriated. During a TV appearance, the Jusos' federal chairman, Kevin Kühnert, doubled down on the organisation's demands and posed this rhetorical question: "What right does anyone have to own more than 20 apartments?"

The activists behind the referendum campaign have already made it clear that the nationalisation of large housing companies is only the beginning. They also aim to create a hostile environment for small landlords.

In summary, state intervention and calls to transform the German economy along socialist lines are becoming increasingly fervent. Anyone who fails to understand that capitalism is not the problem, but the solution, will always look for solutions in socialism. ■

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