

Successful transformation needs pragmatism but not a new “Sondervermögen”

Jan Cernicky

Following the German Federal Constitutional Court’s historic ruling on the 2nd Supplementary Budget Act 2021, ways are being sought to ensure legal financing of the economic transformation. One option that is repeatedly brought up is the possibility of setting up a “Sondervermögen” (special fund) modelled on the special fund for the Bundeswehr (German armed forces). It is important to understand that this is not a real asset; on the contrary, it contains credit authorisations in the amount mentioned. A new paragraph in the Basic Law was necessary for its establishment so that the respective incurrence of debt in the financial year in which it is actually incurred is exempt from the provisions of the debt limit. There is little reason to repeat this now. Reasons amongst others are:

- › A special fund may make sense in the case of a serious, unforeseeable event such as the war in Ukraine. In this case, there was a clear reason and a goal that was limited to one policy area - in this case, defence policy. At the same time, the parameters under which policy-making takes place have changed fundamentally and, above all, permanently. In this context, it may be true that the problem could not be meaningfully addressed within the regular budget, in which the various interests of the departments are harmonised and presented as a whole. However, this is not the case with the expenditure in the various funds the government put into existence. These funds address a problem that has been known for a long time and whose solution is being pursued by the entire government. A special fund would be nothing more than an extension of the ordinary budget into a special pot.
- › Special funds bind the state far beyond the current financial year and the current legislative period. This restricts future governments in their ability to act. This is because the financing costs of a special fund are just as much a burden on the community as in the case of the core budget.
- › There is already a special budget for climate and transformation projects, the Climate and Transformation Fund (KTF), into which the revenues from CO₂ pricing and emissions trading will continue to flow even after the judgement of the Federal Constitutional Court. The creation of an additional special fund would therefore be redundant.
- › The KTF already shows that the funds can often not be spent sensibly and in full. This shows one of the underlying problems of large volumes of state investment, which are also difficult to administer despite the associated increase in bureaucracy. Steady financing from the regular budget that is adapted to the current situation is fundamentally better suited to tackling long-term tasks such as structural change.
- › And finally, no constitutional amendment is necessary for the creation of a special fund. In the case of the Bundeswehr special fund, the constitutional amendment was only necessary for the exception to the debt rule. As the budget emergency has already been declared and the debt rule therefore does not apply in full for 2023, the government is free to take on debt (no credit authorisations) for a genuine special

fund for the transformation of the economy in 2023. Since the suspension of the debt rule was justified by the high energy costs, it is at least logically correct to take on higher debt for this purpose. To go down this path, however, the government would have to reach agreement very quickly on the reorientation of its policy.

Pragmatic policies in the spirit of social market economy should not seek shortcuts, but should now critically scrutinise all expenditure and have the courage to make significant cuts. The role of private investment in climate protection and transformation should be emphasised more strongly and promoted by setting appropriate frameworks. An additional debt-based "Sondervermögen" would merely help to perpetuate existing flawed approaches to climate and transformation policy instead of utilising the opportunities of a fundamental reorientation towards technological openness, more entrepreneurial freedom and effective market mechanisms.

Konrad-Adenauer-Stiftung e. V.

Dr. Jan Cernicky

Head of Department Economy and Innovation
Analysis and Consulting

jan.cernicky@kas.de



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