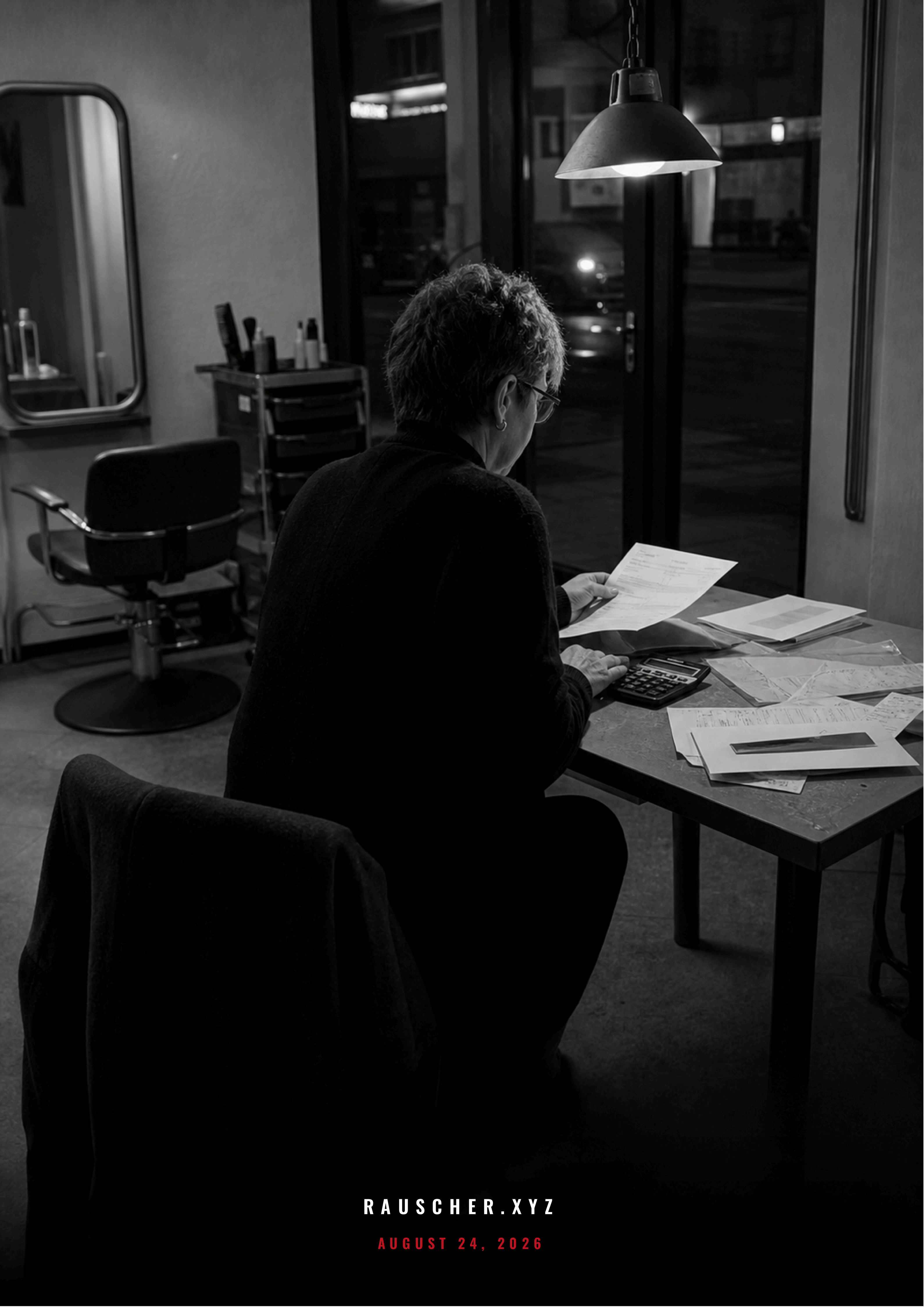

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STUPIDITY WOULD BE FORGIVABLE, IGNORANCE IS NOT

In 2025 Germany took in 2,140.2 billion euros in taxes and social contributions, ended the year 119.1 billion short, lost a net 97,000 of its own citizens, and answered all of that with a commission recommending mandatory pension contributions for the self-employed with no opt-out. A report on the point where a levy stops collecting revenue and starts pushing people out, on a fictional income floor of 1,318.33 euros that the state applies even when someone earned nothing at all, and on the question of why nobody adds these figures up.

The phone rings at 6 a.m., and the voice on the other end is cheerful in a way you never hear in Germany at that hour. A good friend is calling from the United States, slightly drunk, in the middle of her evening, telling me how well she is doing. Everything is expensive over there, she says, seriously expensive, and still she has not regretted a single minute of leaving this country. We talk about the weather for a while, the way people do when 9 time zones sit between them and neither one wants the moment to end. Then I hang up and go back to sleep, because I had been coding until 4 a.m.

At 9 a.m. I wake up with a headache and think that she is long in bed by now, and that she got everything right.

That is the moment this piece began. Not with a statistic, but with the uncomfortable feeling that a friend feels freer in a foreign country than in the one she was born in, and that I do not know a single person who still finds that surprising. Over coffee I started counting. Who has left in recent years, who is planning it, who has been talking about it for months and is only waiting for the sale of the company or for a child to finish school. The number I arrived at is the number of one personal circle and proves absolutely nothing, I know that. It still drove me to my desk, and what I found there is considerably worse than my gut feeling.

So that no misunderstanding arises at the outset: this is not a political text. I have not voted for a party in years, because every election in this country ends in a coalition where two partners block each other after publicly declaring each other unacceptable. I have no side I write for and no side I write against. What I have is a calculation, and it does not add up. I am a business owner, I pay these contributions myself, I see every month what is left of a job once it is done, and that is exactly what I am writing about.

What I found comes down to a single distinction. Stupidity would be forgivable, because stupidity is an absence of knowledge and knowledge can be supplied. What is happening to the people who still pay into this country is not stupidity, because every relevant number is official, published, and sitting in plain view. They simply are not laid side by side, and for that there is no gentle word.

The figures come from the Federal Statistical Office, and they have to be kept apart carefully, because almost every public debate throws them together.

In pure tax revenue, the federal government, the states, and the municipalities took in 989.8 billion euros in 2025 before the revenue was distributed among them, published on April 17, 2026, an increase of 42.1 billion over the previous year. Almost a trillion euros, from taxes alone, without a single social insurance contribution. Using the framework of the national accounts, which covers the entire state including the social insurance funds, current tax revenue came to 1,031.5 billion euros. Add up everything that flowed into this state in 2025, meaning taxes, social contributions, fees, and other income, and the total is 2,140.2 billion euros, a rise of 5.7 percent or 115.8 billion. In the same year the state spent 2,259.3 billion euros, which is 119.6 billion more than the year before. The financing deficit came to 119.1 billion euros, or 2.7 percent of economic output.

Anyone using the separate framework of the public finance statistics will find revenue of roughly 2,081 billion euros for the public sector as a whole, spending of roughly 2,208 billion, and a deficit of 127.3 billion. The Federal Statistical Office states explicitly that the two calculations are not methodologically identical. I am naming both so that nobody assumes I picked the more convenient one, and from here on I calculate consistently in the first.

I want to say something here about how I handle numbers like these, because it matters for everything that follows. My work has consisted for decades of checking figures that other people consider settled, and what I have learned is that most errors do not happen in the arithmetic. They happen in the framework. Two values can both be correct and still not belong next to each other. That is why every single figure in this piece has been checked against the primary source, repeatedly, against the publication itself rather than against somebody's retelling of it on a news site.

This makes the piece harder to write, not easier. Someone who skims a number can be briefly annoyed and then move on, because the possibility remains that it is wrong. Someone who checks it three times, recalculates it in two different frameworks, and finds it confirmed no longer has that exit.

And while I write this, one single word keeps pushing its way into my head, and I have not been able to shake it for days. The word is surreality, and unfortunately it fits down to the detail. It is not that these numbers are false. They are all correct, they sit in official publications, anyone can look them up in a few minutes. What is surreal is that they have coexisted for years, publicly, undisputed, and that still nobody lays one beside the other and draws the obvious conclusion.

Over 2.1 trillion euros flow in, and at the end of the year 119 billion are missing.

And with that the distinction this entire piece rests on is on the table. Stupidity would be forgivable, because stupidity is a lack of knowledge, and a lack of knowledge can be remedied. Ignorance is something else, because ignorance is the decision not to take existing knowledge into account. Every figure in this text is official, published, and retrievable by anyone in a few minutes. They have been lying there for years, and still nobody places one next to the other.

That is the starting point of any honest debate about taxation in this country, and it is precisely the sentence that never appears in that debate. Anyone claiming a revenue problem has to explain why 2.1 trillion euros are not enough. Anyone who instead calls for the next levy has not answered the question, but skipped it.

Here is the thesis carrying this piece, stated plainly so that nobody has to assemble it themselves. Every tax has a point at which it stops collecting money and starts driving people away. Where that point lies does not depend on the rate, but on how mobile the group being taxed happens to be. Burden a mobile group and you shrink the tax base faster than you can raise the rate. Burden an immobile group and you collect reliably, right up until that group collapses. Germany has been doing both at once for years, and nobody weighs the two movements against each other.

WHAT THE OFFICIAL FIGURES SHOW ONCE YOU PLACE THEM SIDE BY SIDE

Since 2005, Germany has lost more of its own citizens every year than return to it. For 2025 the Federal Statistical Office reports a net migration loss of German nationals of roughly 97,000 people, after roughly 81,000 the year before. The most common destinations were Switzerland with 23,000 departures, Austria with 14,000, and Spain with 10,000. At the start of 2025 roughly 329,900 Germans were living in Switzerland, 6,300 more than a year earlier, alongside 239,500 in Austria and 131,800 in Spain.

At the same time, and this belongs in the picture without exception, Germany still recorded net immigration of 235,000 people in 2025. Anyone claiming that the country is emptying out is saying something false. What is emptying out is one specific group, and the two groups are not economically interchangeable. Total net immigration collapsed from 430,000 in 2024 to 235,000 in 2025, a drop of roughly 45 percent. The population fell to 83.5 million at the end of 2025, the first decline since 2020, but not because of emigration. It fell because 352,000 more people died than were born. That distinction matters, and I am making it explicitly, because I almost never see it made in public discussion.

For the wealthy there is no official statistic, only estimates produced by companies that earn their living advising people on how to leave. Henley and Partners place Germany in their 2026 report among the jurisdictions under pressure in retaining internationally mobile wealth, with a score of 69.7, in a group alongside Norway, the United Kingdom, South Korea, and France. Inquiries from German nationals rose 16 percent there between the fourth quarter of 2025 and the first quarter of 2026. For 2025 the same company projected a net loss of 400 millionaires for Germany.

I consider that figure unusable, and I will say why. Henley sells residence and citizenship programs, so the company is not a neutral observer when it measures flight. The data rest on a private database rather than on registration records. Advisers from the same industry consider 400 far too low, while other economists consider the entire methodology soft marketing. If I took that number into this text and sold it as evidence, an attentive reader could dismiss the whole piece in 5 minutes. So I am expressly not using it as evidence, but as what it is, an indication from a source with a commercial interest in the answer.

The evidence lies elsewhere, and it is harder.

According to the tax policy data compiled by the Federal Ministry of Finance, the top 10 percent of income tax payers contribute roughly 57 percent of total wage and income tax revenue. The top 5 percent carry 44.3 percent, the top 25 percent carry 77.6 percent, and the bottom quarter carries 0.8 percent. That is not an opinion about fairness, it is the load-bearing structure of the building. When 5 percent of payers carry almost half the load, the entire system rests on a very small number of people, and every one of them who leaves costs the state a multiple of what an average payer costs.

That is why the headcount misleads everyone in this debate. 97,000 emigrants sounds like very little in a country of 83.5 million. But if a meaningful share of them comes from the top decile, the fiscal effect is nothing like the effect of 97,000 average earners leaving. We do not know exactly how that group is composed, because the official migration statistics record no incomes. What we do know is that emigrants from Germany, according to the German Emigration and Remigration Panel Study, are above average in education and above average in earnings. That is the strongest formulation the data support, and I am staying with it even though a sharper one is available.

WHY A CIRCLE OF ACQUAINTANCES PROVES NOTHING, AND STILL MEANS SOMETHING

At this point I have to talk about my own starting position, or I commit exactly the error I am accusing others of.

When I count how many people in my own circle have left this country, I am counting a group as skewed by income, occupation, education, and address as a sample can possibly be. My company sits in one of the wealthiest districts in the republic, and the people you meet there are people who can actually make a location decision. Deriving a national rate from a count like that would be about as methodologically clean as forecasting an election from your own living room. So I derive no rate from it, and I ask nobody else to either.

What a network like that demonstrably is, however, is a leading indicator. Wealthy networks learn from one another, and they lower one another's friction costs. One person moves to Portugal, Switzerland, or Italy, and at the next dinner he explains which tax adviser handled the departure, which bank opened an account without drama, which school took the children, and how long the residence permit took. By the second departure the route is known. By the fifth it is a procedure.

That is precisely why these movements do not run in a straight line, but in waves. The first leave out of conviction, the next leave because it worked, and eventually someone leaves who would never have considered it, because his entire environment is already gone. Anyone looking for that dynamic in annual official figures finds it only once it has already happened, because migration statistics are a rearview mirror and not a radar.

There is also a measurement problem that almost never comes up in this debate. Departures are systematically undercounted, because many people simply never deregister. The 97,000 are therefore in all likelihood a floor rather than a ceiling, and I deliberately refrain from saying by how much, because nobody can quantify that seriously.

One more objection belongs here in fairness. Emigration from Germany is frequently temporary. The German Emigration and Remigration Panel Study shows that many skilled workers return after a number of years, so gross outflows overstate the permanent loss. But someone who has bought property abroad, moved his center of life, and restructured his company is rarely among the returners. These are two different movements, and we count them in the same statistic.

THE POINT WHERE A TAX TIPS OVER

The question of when taxes trigger migration is neither new nor ideological. It has been studied empirically for years, with administrative tax records and clean control groups, and the results appear to contradict one another until you look more closely.

Henrik Kleven and colleagues examined Denmark's preferential scheme for highly paid foreigners and measured a migration elasticity between 1.5 and 2.0. Enrico Moretti and Daniel Wilson found a long-run elasticity of roughly 1.8 for star scientists in the United States. That sounds like a clear finding until you set it beside what Cristobal Young and Charles Varner extracted from 45 million American tax records. Millionaires migrate less often than the general population, because they are rooted where they became successful. And Arun Advani, Cesar Burgherr, and Andy Summers measured a central elasticity of 0.02 for the British non-dom reform, which is effectively zero.

These results do not contradict each other, they describe different groups. Measuring how a highly paid foreigner chooses his country of employment measures the most mobile group that exists. Measuring whether an entrepreneur abandons his life's work measures the least mobile group of all, and everything else lies in between.

The most instructive study is therefore the Swiss work by Marius Brülhart and colleagues. It shows that one percentage point less cantonal wealth tax raises declared taxable wealth by at least 43 percent after 6 years. That is an enormous effect, but only about 24 percent of it comes from people actually moving. The large remainder is relocation of assets, portfolio shifting, and plain nondisclosure. David Agrawal, Dirk Foremny, and Clara Martínez-Toledano observed the same thing in Spain, where Madrid was the only region to suspend its wealth tax and consequently attracted roughly 10 percent more wealthy residents within 5 years. Their most important finding for our purposes is a different one. The avoidance response cost the Spanish state six times more in income tax than it cost in wealth tax.

That is the mechanism at issue. You do not lose the tax you levy. You lose the taxes the same person would have paid alongside it.

Norway demonstrated this in the field in 2022. After the wealth tax was raised, according to analysis by the think tank Civita, 261 people with assets above 10 million kroner left the country, followed by 254 the year after, more than twice the previous rate. And here comes the part the outrage industry likes to leave out. Norwegian wealth tax revenue rose anyway, from 27 billion kroner in 2022 to an estimated 34 billion in 2025. The reason is mundane, because the tax base there is very broad, with roughly 720,000 of 5.7 million inhabitants paying it.

Burden many people and you lose little when some leave. Burden few people and you lose everything when those few leave.

France supplied the mirror image. Before its wealth tax was abolished, between 750 and 1,500 wealthy households left the country every year. Afterward an average of 380 returned annually while 260 departed. The price was high, because France Stratégie puts the revenue shortfall at roughly 4 billion euros and the national audit office at 3.2 billion.

These figures are inconvenient for both camps, which is exactly why they are here. Anyone claiming that a wealth tax automatically drives out the rich is wrong, as Norway shows. Anyone claiming that mobility is a fable invented by the wealthy is equally wrong, as Spain shows. What counts is the construction, and the German construction is the riskiest of them all, because it is narrow, because it is unilateral, and because it targets precisely the group that keeps a second residence and a tax adviser in Zug.

THE COUNTRY IS BUILDING FENCES NOW, AND THEY FACE INWARD

When a state notices that its mobile citizens are slipping away, it has two options. It can become more attractive, or it can narrow the exit. Germany has visibly chosen the second, in several steps that individually almost nobody noticed.

Exit taxation under Section 6 of the German Foreign Tax Act applies when someone holding at least 1 percent of a corporation gives up unlimited tax liability in Germany. The state then assumes a sale that never took place and taxes a gain that nobody realized. So you pay tax on money you never received, for a transaction that never happened, because you moved. The European Court of Justice restrained this construction for moves to Switzerland in the Wächtler case, but it has not been abolished.

With the Annual Tax Act 2024, promulgated in the Federal Law Gazette on December 5, 2024, this taxation was extended to investment fund units. Anyone leaving the country holding fund units worth more than 500,000 euros, or a stake of at least 1 percent, has been treated the same way since January 1, 2025. That closes the last simple door, because until then a large securities portfolio without corporate holdings could leave relatively quietly. Add inheritance tax law, and Section 2 of the Inheritance and Gift Tax Act extends unlimited tax liability to German nationals for a further 5 years after departure.

Then there is the matter of cryptocurrency. Under Section 23 of the Income Tax Act, private capital gains are tax free after a holding period of one year, the Federal Fiscal Court confirmed the classification on February 14, 2023, and the Federal Ministry of Finance spelled it out in its letters of May 10, 2022 and March 6, 2025. Parliamentary document 21/5752 of May 5, 2026 now puts a proposal on the table to eliminate that holding period and tax gains at the personal rate regardless of how long the asset was held, meaning up to 45 percent. In parallel, automatic reporting obligations for trading platforms under DAC8 and the OECD framework known as CARF took effect on January 1, 2026.

Reasonable people can disagree about how cryptocurrency should be taxed, and I have no opinion on that worth anybody's attention. What I am recording is the sequence. First the door closes for fund units, then the reporting obligation for digital assets goes live, then the holding period is put up for debate. That is neither a coincidence nor a conspiracy, it is an administrative apparatus marking out its territory while its inhabitants quietly disappear.

The point I find most important in this whole list is a different one. All of these measures apply to people with corporate stakes, with portfolios above 500,000 euros, with digital assets. In other words, to people who own something. For everybody else the exit has been shut for a long time, and nobody had to write a law to accomplish it.

LOCKED IN IS A HARD PHRASE, AND IT IS THE CORRECT ONE

Someone who is wealthy has a choice. He may already own property abroad, a tax adviser who knows both systems, a company that functions just as well from Lugano or Lisbon, and children who attend an international school anyway. For that person, moving is an arithmetic problem with an obvious answer.

Someone earning 3,000 euros net, servicing a mortgage, and holding a job tied to one location has no such choice. He can voice his opinion, he can vote, he can be angry. He cannot leave, at least not without first giving up everything that has carried him so far.

That is the sentence this entire piece is built around, and I am putting it as coldly as it is meant. In a system that burdens the mobile, the immobile end up paying. Not because anyone intended it, but because arithmetic allows no other outcome. You cannot tax a group that is gone.

And yes, I am aware that the phrase locked in carries weight. Nothing prevents a German citizen from leaving, the borders are open, the law is on his side. He is locked in regardless, by economics. Anyone without the money for a fresh start, for the deposit, for 6 months without income, for the lawyers and the recognition of qualifications, stays. The door is open, but the road behind it costs 50,000 euros he does not have.

Nobody talks about this person when exit taxation is debated, because he is not leaving. He is only the one who ends up receiving the bill for everyone who did.

And it is not only about money, which is the part I underestimated for a long time. It is about the feeling of being stuck in a system that tightens by a notch every year without your having done anything wrong. You work more and keep less. You read that you will have to work longer because people are living longer, and you think about the friends who never lived to see their pension at all. You hear that effort has to pay off again, and you calculate that at the moment it does not.

That feeling is not a soft factor, it is a hard economic one. People who believe effort pays off start businesses, take on work, and train apprentices. People who no longer believe it do the minimum or nothing at all. No law on earth can mandate that conviction, and every law on earth can destroy it.

And because I do not describe attitudes I fail to live myself, let me be open about it. I now practice that same minimum myself.

I got off the treadmill, and it was a deliberate decision rather than a breakdown. Every so often I climb back on, take a job, earn what I need from it, and get off again immediately. My phone stays off most of the time. I check the mailbox on Wednesdays, because once a week is entirely sufficient for what is in it. This state is not worth ruining your health for, and I say that as someone who made exactly that mistake for long enough. Anyone who wants to know why gets a very short answer from me, because a good question deserves an equally clear one. It simply is not worth it anymore.

And it does not stop at work, because I barely consume anything now either. That is not defiance and it is not asceticism, it is pure arithmetic. The less I spend, the less I have to earn, and the less I have to earn, the fewer jobs I have to take.

Please read that sentence a second time, because it contains the entire mechanism of this piece in a single line.

Now imagine for a moment that a meaningful share of the people carrying this country lived exactly the same way. Fewer jobs means less income tax. Less consumption means less value added tax. Less work means fewer social contributions. Less demand means less revenue for everyone who lives off that demand. And the remarkable thing about this withdrawal is that it is entirely legal, with no union, no strike vote, no announcement, and nothing anybody could do about it. You cannot force a person to earn more than he intends to spend.

Against tax flight there is exit taxation. Against undeclared work there are inspections. Against people who simply do less there is no instrument at all, because there is nothing to seize except a motivation that left long ago. This movement appears in no statistic, right up until it appears in every statistic.

The consumer climate index is the only place where this mood is measured at all, and it stood at minus 24.1 points in November 2025. You can file that under buyer reluctance. You can also read it as what it is, the aggregated distrust of an entire country toward its own economic future.

735.63 EUROS, AND HOW TO CALCULATE A HAIRDRESSER INTO WELFARE

Which brings me to the development that left me speechless over the past few weeks.

On June 23, 2026, the German pension commission, an expert body appointed by the federal government to advise on retirement policy, delivered its report with 33 recommendations to the Federal Ministry of Labor and Social Affairs. Recommendation 22 states that in future all self-employed people without mandatory coverage who begin their activity after a cutoff date will be brought into the statutory pension insurance system on a compulsory basis. The report explicitly specifies that this is to happen with no opt-out. The chancellor and the labor minister announced the same day that they intend to implement the recommendations in full, with the legislative package due to pass parliament by the end of 2026.

I know several people who have slept badly since that announcement, because they are hoping there will be an escape route after all. According to the wording of the recommendation, there is none for new entrants. For those already self-employed, the coalition agreement provides for grandfathering, no draft bill had been published as of this writing, and so that protection too remains a statement of intent rather than a legal provision.

It is worth looking at this from the perspective of the people affected. Someone who has worked independently for years reads about a press conference in the summer of 2026 in which two members of the government announce that 33 recommendations will be implemented in full. He does not know from which cutoff date it applies, he does not know whether his own grandfathering will hold, he does not know whether private provision will be recognized, and he does not know whether contributions will be calculated on actual profit or on a notional average. All he knows is that something is coming, and that it will cost money he has not budgeted for.

That uncertainty is itself an economic factor, and it will appear in no impact assessment. Someone who does not know how high his fixed costs will be in 2 years does not invest, does not hire, and does not take on long-term commitments. A law does not start working when it takes effect. It starts working the day the press conference airs.

Now the figures, and please read them slowly.

The statutory pension contribution rate stands at 18.6 percent in 2026. Self-employed people subject to mandatory coverage pay the nationally uniform standard contribution of 735.63 euros per month, derived from a reference figure of 3,955 euros, or alternatively an income-based contribution of 18.6 percent of documented profit. New entrants pay half the standard contribution, 367.82 euros, in their first years. There is no employer share, so the self-employed person carries the whole amount alone.

On top of that comes health insurance, and here it turns grotesque. For people who are self-employed as their primary occupation, statutory health insurance applies a minimum assessment basis of 1,318.33 euros per month in 2026. That is a fictional income. It is applied even when less was earned, and it is applied even when nothing at all was earned. From it follows a minimum contribution of 230.71 euros for health insurance at the general rate, plus 55.37 euros for long-term care insurance for those without children, roughly 286 euros in total.

Let us add it up for a person starting out who pays the standard contribution. 735.63 euros for pension plus 230.71 euros for health insurance plus 55.37 euros for long-term care insurance comes to 1,021.71 euros per month, or 12,260.52 euros per year. Those are mandatory contributions before a single cent of income tax falls due, before rent on the shop is paid, before materials are bought, before anybody has eaten anything.

So the state takes a person who may have earned 900 euros, assigns him an income of 1,318.33 euros, and demands contributions on that figure exceeding what he actually produced. That is no longer solidarity, that is an estimate made at the expense of the weakest, and it bears roughly the same relationship to reality as a horoscope.

Now picture the nail salon, the small hair studio, the tradesman working alone, the developer whose commissions have been thinning for a year and a half. These are the people who are supposed to pay additional pension contributions so that everybody else's pension stays secure. You do not need to be a mathematician to see what happens next. A substantial share of these businesses cannot carry an additional four-figure annual burden, and so they will hand in their trade registration, quietly and without a headline.

And the moment they do, the state's own calculation flips completely.

THE COUNTER-CALCULATION, IN OFFICIAL NUMBERS

A self-employed person who supports himself is a doubly good case for the state. He costs nothing, and he pays. He pays income tax, he remits value added tax, he pays social contributions, he may pay municipal business tax, and with whatever is left he buys things that carry value added tax all over again.

The moment that same person gives up, every one of those items reverses.

In 2025 the federal government spent 41.5 billion euros on basic welfare benefits and housing costs, the German system that combines unemployment assistance and social minimum income into a single payment, of which 29 billion went to the benefits themselves and 12.5 billion to housing and heating. The year before it was 39.8 billion. On top of that, according to the government's answer to a parliamentary question, come roughly 6.8 billion euros in pure federal administrative costs, which works out to 2,359 euros per benefit household per year for administration alone, a benefit household being the German unit of assessment covering everyone who shares an address and a claim. On annual average in 2025, roughly 5.32 million people were entitled to standard benefits, of whom roughly 3.90 million were capable of employment.

From those two official figures the number of benefit households can be estimated, and I am doing it openly so that anyone can check it. 6.8 billion euros divided by 2,359 euros gives roughly 2.88 million benefit households. 41.5 billion euros divided by 2.88 million gives roughly 14,400 euros per household per year in benefits and housing, plus the 2,359 euros for administration. That is an estimate built from two official sources and not an official metric, and I am flagging it explicitly, because I refuse to sell anybody a precision this calculation does not possess.

Hold the two sides up against each other. The small self-employed person remits roughly 12,000 euros a year in mandatory contributions and costs the state nothing. The same person, once he has given up, remits nothing and draws on a benefit household costing roughly

16,700 euros a year. The swing between those two positions lands in the region of nearly 29,000 euros annually. One qualification belongs here, because the welfare figure is calculated per benefit household rather than per person, and a household can comprise more than one individual. The 29,000 euros are therefore an upper bound for a single person living alone, and the true figure for a family is distributed across several heads.

That is the arithmetic of this country, summarized in two lines. You do not have to like it, but you have to know it before writing a law that adds another four-figure annual burden to these people.

And so that nobody thinks I am arranging the opposing case conveniently for myself, the argument for mandatory pension coverage is real and it is a good one. The German pension insurance itself points out that just under 18 percent of formerly self-employed people over 65 fall into the bottom 10 percent of the income distribution, compared with roughly 10 percent of formerly employed people. Old age poverty among the self-employed is not a phantom, it is a measurable finding. Anyone demanding compulsory coverage has an honest reason for it.

The trouble is that you do not solve old age poverty by removing somebody's livelihood 40 years in advance. A person who closes his business because he cannot carry the contributions does not end up with a better pension. He ends up on welfare, immediately instead of eventually.

WHAT HAS ALREADY HAPPENED, BEFORE THIS LAW EVEN EXISTS

The alarming part of all this is that the effect no longer has to be predicted, because it has been unfolding in front of us for years.

The number of self-employed people in Germany stood at roughly 4.466 million in 2014. The same national accounts series shows 3.774 million for 2024. That is almost 700,000 people fewer, a decline of roughly 15 percent in a single decade, and the Institute for Small Business Research in Bonn notes that the self-employment rate has been falling continuously since 2015. These people disappeared without any mandatory pension law being necessary.

Corporate insolvencies rose 22.1 percent in 2023, 22.4 percent in 2024, and another 10.3 percent in 2025 to 24,064 cases, the highest level since 2014. The first quarter of 2026 added 6.5 percent, and March alone added 15.8 percent. The hardest hit sectors are the ones where small businesses live. From January to April 2026 the insolvency rate in transport and warehousing stood at 43.9 cases per 10,000 companies, in hospitality at 41.2, and in construction at 35.6. Consumer insolvencies rose 18.9 percent in March 2026.

Industry shows the same picture on a larger scale. At the end of the first half of 2026, the German automotive industry employed 691,500 people, 42,300 fewer than a year earlier, a decline of 5.8 percent and the lowest level since 2005. Across manufacturing as a whole, 144,100 jobs disappeared within a single year. The automotive industry association puts the loss between 2019 and 2025 at roughly 100,000 jobs and projects up to 225,000 by 2035.

One reason shows up on the electricity bill. Commercial customers paid 22.64 cents per kilowatt hour in the second half of 2025 according to Eurostat, placing Germany third in the European Union behind Ireland and Cyprus. In the consumption band typical for midsized businesses, between 20,000 and 499,000 kilowatt hours per year, the figure is roughly 26.2 cents against a European Union average of 21.8. According to a survey by the German chambers of industry and commerce, roughly one third of energy intensive companies are considering relocation abroad.

THE THOUGHT THAT APPEARS IN NO DRAFT BILL

There is one direction in this entire debate that consistently fails to appear, and its absence is more conspicuous than anything else.

Every discussion of the budget gap begins with revenue. People debate the wealth tax, the inheritance tax, the capital gains tax, the crypto holding period, the contribution assessment ceiling, and the expansion of the insured population. People debate who could still give something. The other half of the equation, meaning the question of whether an apparatus spending 2,259.3 billion euros works efficiently, appears in public debate only as an applause line. Incidentally, the state's interest payments in 2025 ran 8.1 percent higher than the year before, which means a growing share of that sum goes toward nothing at all except having spent money yesterday.

A single example is enough to show the order of magnitude. Administering basic welfare alone cost the federal government roughly 6.8 billion euros in 2025, which is 2,359 euros per benefit household per year. That is not the benefit, that is the administration of the benefit. I do not want to sensationalize the figure, because a welfare state needs people to run it, and supervising 5.32 million beneficiaries is not something anybody does on the side. I am putting the number here because it shows that between the euro collected and the euro delivered lies a distance nobody enjoys discussing.

At this point I have to stop myself, and I will do it openly. I would have liked to write how much this state spends in total on administering itself, because that would be the real answer to the question about the budget gap. That figure does not exist in any statistic I could verify in reasonable time, because administrative costs are scattered across dozens of individual budgets, social insurance carriers, and municipal accounts. I could write down an estimate that sounds forceful and that nobody could check. I am leaving it out, because an invented number in a piece about bad arithmetic would be a special form of self-sabotage.

What I can say is this. In a budget with 2,259.3 billion euros in spending, the claim that there is no scope for savings is not a finding, it is a decision. And decisions can be justified. Somebody would only have to do it.

THE CAR IN THE DRIVEWAY TELLS THE WHOLE STORY

When a person has less money left over, he does not stop buying entirely. He buys something else, and usually something cheaper.

The household savings rate stood at 10.3 percent in the first half of 2025, after 11.1 percent in the first half of 2024, which averages just under 270 euros per person per month. The consumer climate index stood at minus 24.1 points in November 2025. People are setting less aside and buying cautiously anyway, and taken together that means the cushion is getting thinner.

And when a car does get bought, it is increasingly not one from here. BYD registered 23,306 vehicles in Germany in 2025, an increase of 706 percent over the previous year, overtaking Tesla for the first time. In the first half of 2026 the figure was already 26,252 new registrations, more than in the whole of the prior year, equivalent to a market share of 1.8 percent. In June 2026 the brand sat at 2.1 percent, ranked 14th in new registrations, between Fiat and Toyota. Leapmotor reached 2,662 vehicles that same month, and further brands are waiting in the wings.

This is not yet a landslide, and I am not claiming that every one of those buyers acted out of financial distress. What I am claiming is the connection the figures support. A country that strips its citizens of purchasing power does not merely lose tax revenue. It loses demand for the products it earns its own living by making. The 691,500 people in the automotive industry sit at the far end of the same chain that begins with a contribution assessment floor.

You can enter this cycle at any point, and it always runs in the same direction. Less take home pay, less consumption, less revenue, less employment, fewer contributors, higher contribution rates, less take home pay.

What makes this cycle so insidious is that every individual reaction inside it is completely rational. The citizen buying the cheaper car is acting correctly. The company moving production to where electricity costs half as much is acting correctly. The self-employed person closing his business because fixed costs exceed his profit is acting correctly. The wealthy individual relocating his residence is acting correctly. Every one of those decisions is rational, legal, and understandable on its own, and in aggregate they produce a country dismantling itself.

That is exactly why moral appeals fail at this point. You cannot ask people to act against their own economic interest, and you should not try. You can only change the incentives that produce those decisions.

THE ARTIFICIAL INTELLIGENCE QUESTION, AND WHAT CAN ACTUALLY BE PROVEN

Here I have to correct myself, and I am doing it inside the text, because it belongs here.

My conviction is that artificial intelligence is in the process of hollowing out entire occupations. I see it in translation, I see it in routine bookkeeping, I see it in legal advice, where a well-prompted language model delivers an assessment in 20 minutes that once required an appointment, a retainer, and 3 weeks of waiting. I know law firms that no longer replace clerical staff when they leave.

What I cannot do is prove that with solid figures for Germany, and so I am saying so openly instead of inventing a number that sounds good.

The most robust German calculation comes from the Institute for Employment Research, which in 2025 modeled for the first time what artificial intelligence means for the German labor market. The result: over 15 years, roughly 790,000 jobs disappear that would still exist without artificial intelligence, and roughly 790,000 new ones appear that would not exist without it. The balance is therefore close to neutral, with a dip around the fifth year, alongside considerably higher economic output.

That figure runs against my intuition, and I am putting it here anyway, because I would rather be proved right in 10 years than be flattered today.

But, and this qualification is decisive, a neutral balance over 15 years is no comfort at all to an individual. The 790,000 who leave are not the same people as the 790,000 who arrive. The 54-year-old specialist translator does not become a prompt engineer, the legal secretary does not become a data analyst, at least not without retraining that somebody has to pay for. In the meantime, in the dip, exactly those people land on unemployment benefits and then on welfare. And the cost of that interval falls on the same budget already spending 41.5 billion euros on benefits and housing.

The balance may be neutral over 15 years, but the federal cash position is not neutral at any single point during those 15 years.

There is a second point the balance sheet fails to capture. The occupations coming under pressure now are to a considerable extent self-employed occupations. The freelance translator, the solo developer, the bookkeeper with three clients, the copywriter, the graphic designer. Those are exactly the people who, under the pension commission's proposal, are supposed to start paying additional contributions, at the precise moment their market is contracting. You raise the fixed costs of a group whose revenue is already under pressure, and you call it provision for old age.

I do not know whether anybody noticed that. I only know that it appears in none of the recommendations.

WHY A FILING CABINET IS WRITTEN OFF OVER YEARS WHILE THE MONEY VANISHES IN A SECOND

I want to propose something concrete here, because criticism without a proposal comes cheap.

In Germany, buying an asset and having it recognized for tax purposes are separated in time. A small business owner who buys a steel cabinet, a computer, or a vehicle loses the money instantly, but may only claim it spread across the asset's useful life. The liquidity vanishes in a second, the tax effect trickles in over years. For a company with reserves that is a bookkeeping question. For a tradesman whose overdraft is already at its limit, it is the difference between investing and not investing.

The logic behind it is clean on the ledger and ruinous in the real economy, because it penalizes precisely the investment you actually want. Someone allowed to write off immediately buys more. Someone who buys more secures jobs at the company that sells and manufactures. If he sells the vehicle a few years later, the proceeds enter the accounts as income anyway, so the state gets its money regardless, only later. And a considerable share of those used vehicles then goes abroad, which is exactly what does not burden the domestic market.

The same applies to paperwork. We sort, post, classify, and archive, we maintain accounts for transactions that in other countries simply sit on a business bank account. Money in, money out, difference, done, that is the profit, and that is what gets taxed. I am not claiming that every other country does it that way, and I am not claiming there are no reasons for our complexity. I am claiming that nobody reports the cost of that complexity, and that a large share of it falls on the people who cannot afford a bookkeeper.

You cannot simultaneously make a country attractive to founders and impose on it a bureaucracy that feeds an entire profession.

AND NOW THE PART I CANNOT KEEP TO MYSELF

I have tried to stay cold up to this point, and I believe I have largely succeeded. Now I would like one paragraph to state my opinion, clearly marked as such, so that nobody confuses it with a finding.

Over 2.1 trillion euros flow into this system. At the end of the year 119 billion are missing anyway. The answer to that is a proposal forcing the smallest self-employed people in the country into a scheme that will pay them a pension barely above welfare in 40 years, while in the meantime they pay contributions on a fictional income of 1,318.33 euros they do not have. At the same time the number of self-employed people has already fallen by almost 700,000 without this law, insolvencies have risen for the fourth year running, the automotive industry employs fewer people than at any point since 2005, and 97,000 Germans left the country in 2025 alone.

If you lay those figures side by side and still conclude that the problem lies with the people who are still paying, then either you have not done the arithmetic, or you have done it and failed to understand the result. I do not know which of those possibilities disturbs me more.

And because the word has been sitting in me for weeks, I will say it with a smile over my coffee. How is it possible to be this catastrophically bad at arithmetic?

Government communications on the subject say, in substance, that people should choose a business model capable of sustaining itself. That is a remarkable sentence coming from institutions whose own business model has been sustained for years only by the privilege of borrowing money that other people repay. A tradesman running 119 billion in the red does not get an advisory meeting. He gets a deregistration form and an insolvency administrator.

And then comes the question I am explicitly framing as a question, because I cannot answer it and because any claim about other people's intentions would be unserious here. Is this intended, or has it simply never been calculated?

I lean strongly toward the second answer, and I am now going to use a word I usually avoid, because it slides so easily into barroom talk. What is happening here is stupidity, and it is ignorance. That is my personal assessment of a procedure and expressly not a judgment about individual people, whom I do not know and whose motives are unknown to me. It refers to something very specific, namely that all these figures exist, that all of them are official, that anybody can retrieve them in a few minutes, and that nobody adds them together before writing the next law.

Intent, after all, requires a plan, and a plan requires that somebody has looked at the whole picture. That is exactly what is missing. Every individual measure is defensible on its own. Compulsory pension coverage is defensible against old age poverty. Exit taxation is defensible against tax flight. The minimum assessment basis is defensible against abuse. Reporting obligations for crypto assets are defensible against evasion. And the sum of all these individually defensible measures produces a country systematically dismantling its own contributors.

Of the two words, ignorance is the harder one, and I mean it literally, in the sense of ignoring. Stupidity could be excused by an absence of knowledge, and I would happily join in that excuse. But the knowledge here is lying openly on the table, has been for years, published by the state's own agencies.

Nobody, however, sticks those 500 pieces of paper on a wall and takes a step back.

WHAT A CITIZEN GETS OUT OF THIS, AND WHAT HE CAN DO

I now ask myself two questions before accepting any job. What is left of it, and is it worth spending my life and my health to get that. I have heard those same two questions from so many self-employed people that I no longer consider them a personal quirk. When a country brings its productive people to the point of turning down work because effort no longer pays, the tax debate has long ceased to be a question of distribution. It has become a question of motivation, and motivation cannot be decreed.

So what can you do if you are not among those who can simply leave.

You can know the figures, and that is worth more than it sounds. Someone who knows that the top 10 percent pay 57 percent of income tax has a different conversation at the kitchen table than someone who does not. Someone who knows that a small self-employed person will carry roughly 12,000 euros in mandatory contributions in 2026 before the first tax falls due listens differently to the next talk show. Someone who knows that the pension commission expressly recommended no opt-out for newly founded self-employment does not sit around waiting for it to sort itself out somehow. And anyone already self-employed should know that his grandfathering currently exists in a coalition agreement and in not a single statutory provision.

That leaves the one question I cannot get out of my head, because no statistic can answer it. How does a person feel whose head is already barely above water when he watches a press conference in the summer announcing additional mandatory contributions?

And there are not a few people in that position. So let me turn the question around and ask it the way it was asked of me several times on the phone this past year. Which small business in this country is actually doing well right now?

Answer that question without flinching and you arrive at a very short list, and the figures from earlier in this piece are what make it short. Insolvency frequency in hospitality ran at 41.2 cases per 10,000 companies from January to April 2026, in construction at 35.6, in transport and warehousing at 43.9. The number of self-employed people has fallen by almost 700,000 in a decade. Consumer insolvencies rose 18.9 percent in March 2026. These are no longer individual misfortunes, this is a condition.

These people do not read parliamentary documents or commission reports. They hear a headline on the news, sit down at the kitchen table at 11 p.m., and work out what remains once that amount is added. For many of them nothing remains, and they know it before they have even put the calculator down.

You can also work through your own position soberly instead of dreading it. Anyone self-employed should have his insurance status formally determined by the German pension insurance, because the procedure is free and creates clarity before an audit forces it. And anyone becoming liable for contributions should know that the income-based contribution is often considerably lower than the standard contribution once profit is documented.

That is not consolation, and it is not meant to be. It is the difference between a person to whom something happens and a person who knows what is happening.

A WORD ABOUT THE LANGUAGE OF THIS SITE, AND YES, THAT IS A JAB

Some of you will have noticed that there are no German articles on this site anymore. Not a single one, I deleted them, and from now on everything here appears exclusively in English. There are two reasons for that, and the first one is boring.

Writing everything twice is double the work, and my pieces are not 600 words on 5 tips for summer. They are long, they are unwieldy, and they require somebody to follow an argument across several pages without unlocking a phone in between. In this format, two languages mean two complete manuscripts, two rounds of source verification, and two rounds of editing, and my time has become too valuable for that.

The second reason is the less polite one, and I worked it out recently over an Italian dinner while the food went cold.

My audience is not defined by language, but by willingness to put a particular organ to use. I mean the gray, generously perfused object behind the frontal bone, the one organ armored more elaborately than anything else in the human body, sitting inside a bony capsule, three membranes, and a cushion of fluid all its own, and still idling unused in a startling share of the population. Evolution accepted a complete redesign of the pelvis so that this skull could be born at all. A little use would therefore be very much in the spirit of the design.

And now the part where somebody is guaranteed to take offense. This is expressly not a judgment about Germans, because intellectual laziness is an international phenomenon and a distinguishing feature of no country whatsoever. It is simply a sober calculation, and it goes like this. Anyone who reads my pieces to the end and still holds an opinion about them can, with very high probability, also read a text in English, because both require the same faculty. And anyone unwilling to read an English text would have quit the German version by the third paragraph. So this change costs me almost nobody I wanted to reach, and it saves me half the work.

That leaves the actual punchline, and it fits uncomfortably well with the rest of this piece. I have hardly anyone left in Germany to offer my services to anyway. The business owners who would need me have been squeezed so far that there is simply nothing left for an outside adviser. They call, they describe the case, they ask what it will take, and then comes that one sentence about the budget, which I now recognize from the tone of voice before it is spoken.

That may be the saddest finding in this entire piece. When an economy squeezes its businesses so hard that they can no longer afford expertise, it is not only the business that disappears. The market disappears for everyone who would have helped that business.

I AM NAILING THIS DOWN

At the end of that morning I packed my things and went into the forest, to the place where I think best and where I have never yet had a bad idea. Among the trunks my head clears enough for simple sentences, and the simple sentence that day was this one. Not one of the people making these decisions has any conception of what it does to a human being to sit down every month, run the numbers, and arrive at the same result every single time.

So I am putting this text out in the open, as a free download, to be passed on, and I will turn it into a podcast. Not because I need the reach, but because I want these figures dated.

So I am nailing them down, here, on this day. The number of self-employed people will keep falling. The number of business closures will rise once the contribution requirement arrives. The wealthy who can leave will leave, and they will do it quietly, with a tax adviser and without a farewell post. Large companies will keep calculating whether a location here still carries itself, and some will answer that question with a no. And those clever enough to see all of it, yet not wealthy enough to act on it, will absorb the consequences, every month, silently, at a steadily rising share.

In 10 years we will look at this text again.

My friend still calls, by the way, usually at impossible hours, and she sounds a little happier every time. I am glad for her, sincerely. I just cannot shake the feeling that one day I will be the one calling somewhere at 6 a.m., and that the person on the other end of the line will be sitting in Germany, wondering when exactly everybody left.

This piece is based on publicly available data as of August 2026. Every figure is given with its source and reporting period. Where a figure has been estimated or approximated, that is indicated in the text. Passages identified as personal opinion are personal opinion and not established fact.

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