

# Berlin coalition government breaks up

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For ten years Berlin, which according to the German constitution is a state as well as the capital city of Germany, has been governed by a coalition consisting of the SPD (Social Democratic Party) and the conservative CDU (Christian Democratic Union). Now, after a long period of public acrimony, the Berlin SPD has announced its decision to quit the coalition, making new elections inevitable. The plan by SPD leaders to quit the coalition must be ratified by a special conference of the SPD, to be held June 10.

The chairman of the SPD fraction in the Berlin Senate, Klaus Wowereit, told the press that the dissolution of the state parliament would take place in July or the beginning of August, setting the stage for elections to a new parliament in mid-September.

The hasty departure of the Berlin SPD from ten years of coalition government with the CDU has the character of a falling man desperately pulling at the toggle of a parachute. Winding up the coalition was necessary to prevent new embarrassing details of SPD involvement in a financial scandal of huge proportions from emerging.

Since it became clear that Berlin's biggest financial institution, the *Bankgesellschaft Berlin* (BGB), had suffered enormous losses, one set of bad tidings has succeeded another. Initially the losses were reckoned to be a few hundred million marks, then the figure rose to two billion. Last week a new figure of more than four billion marks was announced.

Every second inhabitant of Berlin has an account with BGB, Germany's tenth largest bank. The threat by the bank's executive to withdraw its license to award credit and effectively shut down operations provoked shock and outrage. Only a last minute deal struck with the state of Berlin rescued the bank from what would have been the biggest ever bankruptcy in the history of post-war Germany.

Whether such measures result in the rescue of the

bank or the bankruptcy of the state and city of Berlin is still an open question. What is clear is that the burden of the crisis will fall on the ordinary citizens of the city. Berlin already has debts of 65 billion marks and must pay 12 million marks in interest payments on a daily basis. New debts for this year, originally estimated at 3.6 billion marks, will now rise to 9.6 billion.

All of the parties with representation in the Berlin parliament have acknowledged their readiness to support drastic cuts in social services. The current CDU finance minister, Peter Kurth, was quoted in a number of newspapers saying, "Former taboos have to be rigorously confronted—limits on social security payments, the closure of swimming pools, raising controlled rents, privatising clinics" would have to be considered.

Whereas working people in Berlin face drastic cuts, the man primarily responsible for the crisis, leading CDU politician Klaus-Rüdiger Landovsky, while forced to resign his position of responsibility for BGB property deals and his post as executive chairman of the Berlinhyp financial institute, is to be more than adequately compensated. He will continue to receive an annual salary of 700,000 marks for two more years, and will then receive a monthly pension of around 30,000 marks for the rest of his life.

In light of the fact that CDU politicians are so deeply involved in the scandal, Social Democratic officials have emphasised that a political change is necessary. Said SPD leader Wowereit, "The governing CDU can no longer credibly demand the required financial sacrifices and cuts from the population."

The SPD is striving to establish a coalition with the Green Party and the PDS (Party of Democratic Socialism—formerly the Stalinist Socialist Unity Party) and has made clear that its main task will be to consolidate the state budget with a strict policy of cuts. Amongst other measures, the SPD is planning to save

150 million marks at the city's three universities.

When the finance speaker of the CDU fraction, Alexander Kaczmarek, sought to justify a policy of privatisation with the words, "The events at the BGB show that the city is a poor employer", a speaker for the SPD retorted that such remarks were "cynical". Meanwhile the SPD is considering selling off the city's 83 swimming pools, in addition to privatising state-owned housing societies and the Benjamin Franklin clinic.

Both the Green Party and the PDS have signalled their readiness to support such cuts. The chairman of the PDS fraction in the Berlin parliament, Harald Wolf, emphasised at a press conference that in light of the parlous financial situation, there was no alternative to "deep and painful cuts in all areas". The increased debt of 9.6 billion marks "exceeds all previous dimensions," said Wolf.

Should the SPD "seriously be ready to make a new beginning in the city" the PDS "would not evade its responsibilities," Wolf continued. Then it would be necessary to discuss, without taboos, "what, if anything, the city can afford".

Targets for cuts include cultural institutions as well as two university clinics. The change in government, according to Wolf, is required to create the necessary acceptance in the population at large for such "painful cuts".

When he was asked how it was possible to reconcile such a position with the PDS's previous opposition to the "slash and burn policies of the Senate", he replied that the PDS "had never ruled out the prospect of consolidating the budget".

The possibility of PDS participation in the Berlin government has repercussions for Germany as a whole. If the PDS is prepared to support a policy of aggressive privatisation involving painful cuts in Germany's capital city, then, depending on the ability of West Berlin SPD functionaries to overcome their ingrained anticommunism, the way is open for PDS participation in national government at a later stage.

In a "private discussion" on the eve of the breakdown of the Berlin coalition, German Chancellor Gerhard Schröder (SPD) declared that Berlin SPD leaders have a "free hand regarding collaboration with the PDS". In the east of the country, the PDS still exerts considerable influence, while other parties such as the Greens have a

paper thin membership. With social tensions continuing to grow in the east, Schröder wants to keep open the option of collaboration on a broader scale with the PDS, which is already in coalition with the SPD in the eastern states of Mecklenburg-West Pomerania and Saxony-Anhalt.

The most prominent personality in the PDS remains former party chairman Gregor Gysi. Asked Thursday if he was interested in standing for the position of mayor of Berlin, he replied positively, but said he needed a few days to think about it.



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