Berlin population to pay for bank bailout

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The anti-social policies of the SPD/PDS (Social Democratic Party/Party of Democratic Socialism) coalition in the Berlin Senate are becoming more and more pronounced. While the Berlin Banking Corporation, having narrowly escaped bankruptcy, expects to be able to balance its books in the near future thanks to generous subsidies from the Senate, it is increasingly clear that the capital's public finances are being forced into insolvency. The working population of Berlin will be saddled with a preposterously large bill for years to come.

While the Banking Corporation's effective losses for 2001 amounted to 632 million euros, they had fallen to 48 million last year and the bank's executive board is expecting a balanced account in the current year. The reason for this wondrous economic upturn, bringing wealthy investors risk-free profits, is the financial policy of Berlin's SPD/PDS Senate. At the end of 2001, the bank received an injection of capital in the amount of 1.7 billion euros. The Senate has also made provision for an annual 300 million euros up to the year 2030 to protect high-risk loans of 21.6 billion euros, relating to past real estate transactions.

Parallel to the bank bailout, a new round of devastating social cuts has begun in the German capital. Led by Thilo Sarrazin (SPD), the senator responsible for finance, a double budget is being prepared for 2004/2005 that threatens to eclipse any of the cutbacks implemented in the city up to now. The declared aim is to reduce expenditure by 2 million euros by the year 2006, particularly in the areas of cultural provision and social welfare. This is exactly the amount that has been passed on to Banking Corporation since the so-called "red-red Senate" came to power.

According to the finance senator's plan, the budget for science and culture is to be reduced by 400 million euros by 2006. Already shouldering cutbacks of 200 million euros, the universities are planning severe restrictions to university entrance. Humboldt University has even threatened to refuse to accept new students in the coming winter semester.

With respect to the city's theatres, the Schaubühne theatre and the world famous Berlin Ensemble no longer appear on the list of funded facilities.

Finances assigned to the various municipal districts are also to be reduced by the sum of 400 million euros. Above all, the municipalities will have to fund social benefits. To achieve this, welfare aid in Berlin is to be reduced to the level of the federal state of Brandenburg, thereby saving 33 million euros. Ironically, a law passed just after the reunification of Germany is currently obstructing this aim. The law proscribed welfare recipients in eastern Germany from receiving as much as their counterparts in the west. The law that 10 years ago prescribed a higher level of social welfare in the west is now interfering with the attempt to reduce benefits in the west to those in the east. In the cause of "social fairness" this law is now to be ditched.

Moreover, the number of employees in municipal public departments is to be drastically cut. For example, 500 of the 3,200 jobs in the Berlin district of Pankow will be eliminated over the next two years. The manager of one such department commented: "In the future, citizens will have to reckon with the dismantling of services as well as longer waiting periods in public departments and municipal facilities."

The cuts take on a new dimension in the Department of Health and Social Welfare, amounting to a complete destruction of the city's social infrastructure. With respect to support for handicapped people, the subsidising of charity organisations is to be more than halved from 406 million to 186 million euros. Approximately 75 percent of the budget relating to support for the handicapped is devoted to staffing costs, and around 10,000 people in Berlin are employed in this field. The inevitable consequence will be a drastic destruction of jobs and the virtual abolition of quality care for the handicapped.

Educational assistance will be reduced by a total of 180 million, although real savings to the city finances will only amount to 90 million.

The total budget for day nurseries, currently set at 750 million euros, will be cut by a further 200 million, more than a quarter. This will be partly absorbed by increasing parental contributions so as to channel 42 million euros into the public coffers. Parents already contribute 13 percent of all necessary expenditure on day nurseries. The planned reduction of the minimal parental contributions, with which an attempt was made to veil the generally drastic increases for parents on medium incomes, will not be implemented. The reason is obvious. Parents paying the minimal contribution have long constituted the overwhelming majority, up to 75 percent in many districts.

Conditions for workers in childcare will deteriorate drastically. For example, there is already talk of the elimination of supplementary payments for those caring for handicapped children, as well as the replacement of trained kindergarten assistants by child-minders. The child-carer ratio has long since reached the irresponsible level of 21 children to each carer.

Of course, the abovementioned figures are based on an initial draft budget. However, no one should think that "it won't all turn out so badly." Experience has shown that all the cosmetic concessions to be expected in the coming discussions will only serve to force through the cuts.

Faced with the task of balancing the books, the social democratic senator for finance is exuding an overweening self-confidence. Addressing a Berlin CDU (Christian Democratic Union—the conservative opposition party) district association some days ago, he spoke about his austerity plans, arousing great interest and little criticism. Questioned on how all the cutbacks would turn out, he said: "One person is not going to suffer, and that'll be me."

Despite such provocative comments, the PDS, as coalition partner, not only tolerated these reactionary and irresponsible policies; it mobilised its own party senators to intensify austerity measures still further.

PDS senator for finance, Harald Wolf, assumed the task of justifying the bailout of the Berlin Banking Corporation to the public. He claimed: "The bank's collapse would have pushed a lot of public and private, small and medium-sized firms over the edge" and countless jobs would have been in danger. He accused his critics of "obstinately shunning reality."

But this rebuke applies in full measure to Wolf himself. More than half of the 4,000 jobs the bank wants to eliminate by 2005 have already been destroyed. As many as 45 branches of the Berlin Savings Bank and the Bank of Berlin, both of which belong to Banking Corporation, have already been closed. All branch offices outside Berlin have also shut down.

As a result of further dismantling and the outsourcing of sections of the corporation, only 7,000 of the former 17,000 jobs will still be in place in 2006. Employment positions are disappearing. What remains is the spectacle of soaring salaries on the bank's executive floors, juicy profits for the investors and a massive hole in the budget.

Thomas Flierl, the PDS senator for culture, has also demanded cuts in the magnitude of 100 million euros, but has been largely ignored in the dispute with the universities. On this issue, it was the senator for finance who stole the initiative. Flierl merely demands that "the issue of a socially affordable reduction of staffing" is to be obligatory in the negotiations with the universities.

Finally, Social Affairs Senator Heidi Knake-Werner (PDS) maintains that Berlin "is ahead" in all fields of social provision and only recently praised the "extremely good framework" of support for the handicapped—as she went on to warn against an "exhausted potential for further austerity measures" in light of the city's disastrous financial situation. A study commissioned by Knake-Werner herself recently revealed that Berlin registered glaring deficiencies when it came to the provision of workshop places for the handicapped.

It is already obvious that the city's indebtedness is increasing at an astounding rate, despite the plans to erode the basic living conditions of the population. Last year, new loans amounted to 6 billion euros. In the first four months of this year, such loans already climbed to 4.2 billion. The city is currently paying interest of 2.2 billion euros annually and this is increasing by about 250 million euros each year. Consequently, the dependence of the banks on public handouts increases while social conditions are set to deteriorate further and further.

The most deplorable aspect of the anti-social policy of the SPD-PDS Senate is their complete lack of responsibility. No one in this provincial government is capable of presenting a serious alternative on how problems are to be solved, and no one is even interested in considering such a thing. No one dares to take a stand against the line of the federal government, whose taxation policy is driving the state and municipal administration into bankruptcy. Hiding behind ritually repeated arguments about restraints on their room for manoeuvre, all of the senators are doing exactly what the business and employers' associations want them to do. But when it comes to confronting the devastating social and political consequences of their policies, no one in Berlin's town hall shows the least interest.