Germany: Court ruling on Berlin budget deepens social divisions

Peter Schwarz
25 October 2006

The *Süddeutsche Zeitung* compared a ruling handed down last week by the German Constitutional Court on Berlin's budget to the use of a wine-press to crush grapes. Journalist Heribert Prantl wrote that the judgement presses "Berlin (and likewise other poor states in the Federal Republic) to undertake even more cost-cutting measures." He forgot to add that the grapes being pressed in this case are the growing ranks of poor and socially deprived German citizens.

The Constitutional Court judges made their decision public on October 19. They unanimously agreed that Berlin had no right to a single euro of federal funds to offset its huge budget deficit of 61.6 billion euros. The judges declared that the city, which has implemented a drastic austerity program over the past few years, still has the means to further reduce expenditures and increase revenues.

This judgement by Germany's highest court is the latest in a series of actions that have exacerbated social and regional divisions in order to enforce a strict budgetary discipline. It comes in the midst of a fierce and largely hypocritical debate in Germany over whether one can term the increasing army of poor citizens an "underclass." The court ruling predictably evoked near unanimous approval from business and political circles.

The decision by the judges represents a devastating indictment of the policies of the Berlin Senate. The ruling coalition, consisting of the Social Democratic Party (SPD) and the Left Party, currently involved in negotiations over a new term of office, has made drastic cuts in the spheres of education, welfare and public services while selling off tens of thousands of state-owned apartment buildings to private investors. Such measures were necessary, according to the mayor, Klaus Wowereit, and his finance senator, Thilo Sarrazin, to demonstrate Berlin's willingness to cut costs and win additional federal subsidies, thereby improving the financial situation for the city on a long-term basis.

The constitutional judges have drawn the opposite conclusion. Following the implementation of painful cuts by the SPD and Left Party, which managed to dampen down social unrest, the judges concluded that the city can afford to tighten its belt even more. The brutal austerity policies carried out by the SPD-Left Party Senate strengthened the hand of the court in calling for even further attacks on the population. There can be no doubt that the SPD and Left Party will fall into line.

The decision by the Federal Constitutional Court is important for a number of reasons.

In the first place, it forces all of Germany's 16 states to intensify their current austerity programs. This applies not only to Berlin, but also to other highly indebted states such as Bremen and the Saarland. They too must give up any hope of receiving additional federal subsidies or assistance from other, better-off states.

The judges are evidently of the opinion that the German capital, which as long been plagued by high unemployment and poverty, is not poor enough. In his verbal report of the judgement, one of the judges, Winfried Hassemer, cynically quoted words first used by Mayor Wowereit, who described Berlin as "poor, but sexy." Hassemer remarked that "one could conclude that Berlin is perhaps so sexy because it is not so poor after all."

In its judgement, the court made clear where it thought further savings could be made. It criticised Berlin for investing considerably more in its universities and science and cultural facilities than another large German city, Hamburg. In addition, it suggested that Berlin sell off its remaining 270,000 state-owned apartments—a measure which will inevitably result in rent increases and evictions, and deprive the Senate of an important means of influencing social policy.

Berlin is already the frontrunner in Germany when it

© World Socialist Web Site

comes to the privatisation of state property. A so-called "Berlin model" was developed specifically for this purpose in the 1990s. This amounted to a policy of privatising publicly guaranteed profits and assuming government responsibility for losses. The tab must be paid by the population.

The partial privatisation of the Berlin water company resulted in Berlin households paying an average annual water fee of 500 euros—around 200 euros more than fees paid in Munich or Cologne. The Senate bailout, with taxpayers' money, of billions in debt incurred by the Berlin Bank Company, is also part of the "Berlin model."

The constitutional judges had no criticisms of such policies, just as they have waved through the government's tax handouts to top earners and the wealthy. Instead, they suggested an increase in commercial taxes, although the city has undergone a drastic loss of industry and jobs since the reunification of Germany in 1990.

The Constitutional Court judgement has another important aspect: it urges restrictions on the financial autonomy of states, while maintaining existing conditions of competitiveness between the states. It calls for legal rules stipulating the scale of indebtedness, a reorganization of the distribution of finances between sates, and the dissolution of smaller states with financial problems. City-states such as Berlin, Hamburg and Bremen, or smaller states such as the Saarland, would lose their autonomy.

Those states with a stronger financial base in the south of the country have been demanding a redistribution of finances between the states for a long time. They have made clear that they are no longer prepared to provide any support for the poorer states in the north and east of Germany. Predictably, Bavarian Prime Minister Edmund Stoiber enthusiastically welcomed the judgement, which he called a "clear pointer" towards a reform of financial relations between the German Federation and individual states.

Such a shift in relations is the aim of the proposed second stage of the federalism reform. According to former German President Roman Herzog, who at one time chaired the Constitutional Court, such a reform would result in a tax, budget and expenditure system based on "more direct responsibility on the part of states."

"Direct responsibility" in this case means the individual states will compete for the attention of investors and companies through low rates of taxation, a "flexible" attitude towards labour and environmental laws, and other "location advantages"—instead of mutually supporting one another, as was the case up until now.

The result of such a development would be, on the one hand, the depopulation of entire regions and, on the other hand, the emergence of wealthy centres in which rents and living costs are so exorbitant that the unemployed and other socially disadvantaged layers could not possibly afford to live in them—in other words, an immense intensification of social and regional divisions.

The latest decision by the Federal Constitutional Court is fully in line with its judgement of August 25, 2005. At that time, the court legitimized the early dissolution of the German parliament by Chancellor Gerhard Schröder, although such a decision violated the German constitution. In making its decision, the Constitutional Court strengthened the power of the executive in relation to parliament and the electorate.

The resulting new elections were aimed at bringing to power a right-wing, neo-liberal government led by Angela Merkel (Christian Democratic Union—CDU) and Guido Westerwelle (Free Democratic Party—FDP), after Schröder encountered increasing popular resistance to his programme of social and welfare cuts—the so-called "Agenda 2010." The electorate disrupted these plans however, and the conservative parties and FDP failed to win a majority. The result was a grand coalition (SPD, CDU and Christian Social Union), which itself is now running into increasing difficulties.

This judgement on the Berlin budget opens the way for a new wave of attacks on the social conditions of broad social layers. For much of the post-war period, the German Constitutional Court acted as a moderating force, frequently reining in overzealous politicians in the interests of maintaining social harmony. Now it is increasingly assuming the role of a partisan agitator in the class war being waged by the ruling elite against the working masses.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site