

# Germany: New Berlin senate intensifies austerity course

**Lucas Adler****14 November 2006**

Last week the Social Democratic Party (SPD) and Left Party-PDS (Party of Democratic Socialism) agreed terms for the continuation of their coalition in Berlin following recent senate elections. The central plank of the new coalition contract presented to the public is a drastic intensification of the existing austerity course.

The senate is resolved to introduce a budget for the coming year, which corresponds to constitutional stipulations. This means that new lending does not exceed the level of expenditure for investments.

Following the decision of the senate to bail out the bankrupt Berliner Bankgesellschaft, the state of Berlin has been saddled with enormous levels of debt which require exorbitant levels of interest rate repayments. The repayment of debt requires that the state receive considerably more revenue than it pays out, (interest repayments not included). Those suffering most from the intensified austerity measures are public service workers, unemployed persons receiving the lowest rate of unemployment benefits (Hartz IV), students and those working in the sphere of culture.

The new coalition has also agreed to arbitrarily dispense with the post of culture senator—this in a city in which both public and economic life is bound up to a large extent with a wide variety of cultural interests on offer! With a turnover of €10 billion in 2002 the culture sector accounts for one seventh of the wealth created in the city. In total, cultural activity in Berlin encompasses 21,000 enterprises employing around 110,000 persons.

In future culture will be subordinated to a secondary role in the work of the state chancellery under the leadership of the city mayor, Klaus Wowereit (SPD). The sphere of science, which was formerly part of the culture portfolio, is now to be integrated into the education department—an ominous sign for the research departments at Berlin's three universities. The German Council for Culture described the dispensing of an independent

culture department in the Berlin senate as a disaster, which sends a negative signal throughout Germany.

The entire coalition contract bears the handwriting of the former and new finance senator, Thilo Sarrazin (SPD). Sarrazin seems to derive a sadistic pleasure in drawing up and implementing new social cuts and is both widely despised by the population of Berlin, while admired by neo-liberal circles in Germany and beyond.

Prior to the start of coalition negotiations the finance senator had already submitted a plan for a constitutionally acceptable budget for the year 2011. In addition, he made an evaluation of the possible proceeds emerging from the sale of 270,000 dwellings, which are still in the possession of Berlin.

Sarrazin was able to gain support from the SPD grouping "Berlin on the Move," which includes such figures as the former state director, Ralf Wieland, former finance senator, Annette Fugmann Heesing, and the former undersecretary of state, Franc Bielka.

There then began a pantomime along well-established lines. First of all, the Left Party-PDS raised a hue and cry declaring that its leading members in Berlin would never bow down to the wishes of the right-wing within the SPD. This was all aimed at preserving the "left" image of the party amongst its members and supporters. In fact, the negotiations ran very smoothly. The state head of the Left Party-PDS, Klaus Lederer, soon explained that the differences with the SPD were "not so great," and that his party had agreed that the limits of the budget should correspond to those laid down by the constitution.

When the coalition partners then sat down for a final deliberation in order to clarify the issue of finances some newspapers speculated over a possible "marathon session." In the event, the SPD and Left Party-PDS came rapidly to an agreement, which goes further than that originally proposed by Sarrazin. A constitutional budget is now to be achieved by the year 2007 instead of the

original planned date of 2011!

The new target is to be achieved primarily through savings. The senate expects to increase revenues through a slight increase of land and real estate taxes, as well as the 3 percent increase of value added tax decided by the German government. As usual, wealthy layers in the city remain unaffected by any of the measures. In the course of presenting the new coalition agreement, mayor Klaus Wowereit stressed that the new senate will maintain a “strict austerity course” and use all additional revenues for “budget consolidation.”

Those hit hardest once again will be public employees. There is no longer any mention of the 2009 deadline which was set as the date for an end to the wage cuts agreed by the senate following its controversial withdrawal from the state employers federation. Instead the wage cuts currently in force—averaging 10 percent—are now a firm component of the new financial plan that is due to expire in 2011. Over the same period the senate plans to wipe out a further 15,000 public service jobs.

While drastically cutting back on regular jobs, the senate also supports the creation of a citywide low-wage sector. Under the slogan “finance jobs instead of unemployment” the plan is to establish a state-sponsored jobs market, in which finances currently paid out for unemployment benefits will be diverted into financing work projects deemed useful “for the community.”

It does not take much imagination to realize that in the near future much of the work currently done by public service employees paid according to regular contract conditions can be performed by cheap wage labor. Nevertheless the Left Party-PDS still has the nerve to package such a state-sponsored sector as a huge achievement!

The Left Party-PDS has also praised another part of the coalition agreement calling for “access to community schooling.” According to the model, project schools can voluntarily decide if they wish to be restructured into community schools. If schools decide against the proposal then nothing changes with regard to the existing situation.

In no respects can the new proposal be seen as a viable alternative to the three-stage educational system that currently prevails and which has been subjected to systematic cuts over a number of years. Lacking sufficient teaching staff, teaching materials and adequate premises it is highly unlikely that the proposed community schools will gain the support of the public and parents.

The coalition partners are keeping all options open with regard to further privatisation and the sale of state-owned

public property. The web site of the Berlin SPD declares that “complete sales of urban residential property” are taboo, while the Left Party-PDS web site reads that there will be “no sales of entire blocks to investment companies.” But such formulations leave open the option of selling off individual units, as long as part of the state-owned housing reserve is retained.

The trade housing association (GSG), which offers favorable commercial property to medium-sized companies, will definitely be sold off, however. The move has been demanded by Economics Senator Harald Wolf (Left Party-PDS) for some time and a €400 million bid for the GSG by the investors Orco and Morgan Stanley has been on the table since the summer of 2006.

While the coalition agreement speaks of insuring that “financial obstacles” do not stand in the way of university education, there is no clear rejection of study fees to be found in the document. During coalition negotiations proposals were sounded out for some sort of fees to be paid by external students attending Berlin universities, while students from Berlin would receive a type of education voucher. It is only a matter of time before such proposals are realised. The next step would then be the abolition of the education voucher for Berlin-based students—all in the name of equality amongst students!

Mayor Wowereit’s promise during the election campaign of free nursery education is now projected to be introduced only in 2011. The senate also expects other major projects in the city—e.g., financing and renovation of the city’s State Opera House and security provided for the national parliament and the many embassies and ministries in the city—to be financed by the national treasury, although the national government and finance ministry have made clear they intend to keep a firm control on all expenditures.

The coalition document makes clear that a new edition of the SPD-Left Party administration is once again preparing to take up the cudgels in Berlin on behalf of the city’s wealthy elite and implement a new round of cuts affecting the majority of the population. An intensification of the city’s already profound social crisis will be the inevitable result.



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