Berlin Senate adopts new austerity measures

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22 December 2006

At the beginning of December, the Berlin Senate (city council), a coalition of the Social Democratic Party (SPD) and Left Party-Party of Democratic Socialism, agreed on a financial plan covering 2006 to 2010. The axis of this plan is the continuation of the strict budget consolidation that has already created a social disaster in the capital, which is unparalleled throughout Germany.

For the first time, in the coming year the city's new debt will fall below the total sum of its capital expenditures. In subsequent years, the Senate wants to lower annual new debt from more than €2 billion at present, to a maximum of €900 million in 2010. To achieve this goal, all future increases in the city's revenues are to be used to pay back the net borrowings and simultaneously lower primary expenditures.

This is a slap in the face to Berlin's populace. In the past five years, they have already been forced to bear the brunt of massive cuts in public services, and now they confront the fact that the austerity measures will continue and any increase in revenues will not be used to improve their situation. Above all, this demonstrates the duplicity of the Left Party-PDS, which supported all the austerity measures in Berlin by arguing that such cuts were unavoidable and necessary to create financial conditions that could benefit the general population.

This becomes even clearer when comparing the expected increases in income to the planned decreases in expenditures. According to the Senate, the small increase in property taxes—coming into force January 1, 2007, and expected to bring additional revenues of approximately €220 million—means that "substantial steps have already been taken" on the income side. However, they have not given any consideration to an effective tax increase on those with high levels of private wealth or on business profits. In contrast, the cutting back of public expenditure is said to be a permanent task, with "strict spending discipline...being the highest requirement in future."

The unexpected rise in the city's income—some €1 million a year in relation to the 2005 financial plan—owes less to the active policy of the city council than to favourable fiscal conditions as a result of an upturn in the world economy and a recovery in Germany's own economic situation.

But this additional revenue can disappear just as suddenly as it has emerged, a fact the Senate would not hesitate to use to implement further cutbacks. Thus, there are already warnings being sounded that a "collapse in market conditions that pushes down tax revenues" could endanger the finance plan, and that any worsening of the overall tax ratio—for example, in the form of renewed changes in taxation law—would "badly affect the course marked out in this finance plan."

The financial plan contains numerous statistics about the development of the German capital from 1995 to 2005. This material clearly shows the enormous cutbacks that have been implemented in the past, providing a concrete picture of the disastrous social effects of this policy.

Between 1995 and 2005, public spending in Berlin measured against the size of the city's population receded by 11.7 percent, while spending in Germany's other Länder (states) over the same period rose by an average of 3.9 percent. Even in Thuringia, the second-worst region in the statistics, the decrease in expenditures amounted to only 4.2 percent. Top place for increased expenditures went to North Rhine Westphalia (13.3 percent). As a result, Berlin today spends €940 less each year per inhabitant than the national average.

This decline has been achieved through cuts of some €1.4 billion, above all in administrative costs and €1.3 billion in staff costs. Here also, Berlin has fared worse, with a 5.5 percent cut in administrative expenditure matched by an average rise of 12 percent in the other states. Whereas Berlin has cut staff costs by 5.6 percent, the state average is a rise of 6.9 percent.

The figures contained in the financial plan also reveal the devastating effects of the city council's tax policy. Between 2000 and 2002, Berlin's income from taxes and revenues from the federal government fell drastically by €1.4 billion. This collapse was so grave that in 2005 the city's income of some €11.4 billion was still €500 million below the level of 2000.

The historical significance of the policies of the SPD-Green Party federal government can be seen from the development of the overall tax ratio, which is also presented in the financial plan. In the period from 1950 to 2000, this averaged 23.1 percent; in four years under the "SPD-Green" coalition, it fell to approximately 20 percent in 2004.

The statistics also give an impression of the social decline that has occurred in the capital since German reunification in 1990. For example, the number of people employed in industrial occupations sank from 255,000 in 1991 to only 96,000 in 2005 —a decrease of more than 60 percent. In the same period, the number employed in manufacturing trades fell from 314,000 to 130,000—also a drop of around 60 percent.

Given these statistics, the disproportionate rise in unemployment in Berlin hardly comes as a surprise. Between 1991 and 2005, the national average rose by around 5.2 percent—from 6.5 to 11.7 percent; in the capital, the numbers of those registered as unemployed rose by almost 10 percent, from 9.5 to 19 percent.

The future course being marked out by the SPD-Left Party-PDS coalition in the Berlin Senate will accelerate this trend. Policy continues to follow the motto: The people can pick up the tab. All the austerity measures that have already been introduced or agreed on are to be carried through consistently, and new spending will only be realised if new savings can be carried out elsewhere.

Public resources are to be reorganised "within the framework of the financial possibilities"—in other words, sold off. In each project, "the necessity for public expenditure is to be critically evaluated, administrative procedures improved and laws revised," since "an efficient administration capable of broad achievement while utilising little means is a positive factor for the location [of Berlin]."

Thus, "administrative efficiency" is to be further increased. The savings involved were revealed by Finance Senator Thilo Sarrazin (SPD) in a recently completed comparative study on the administrative costs of 27 German cities. Sarrazin has cited the results of the study to make the provocative claim that in Berlin, at least one third of administrative staff could be cut.

A substantial element in the Senate's consolidation strategy is based on making further cuts in staff expenditures. In the past legislative period, the SPD and Left Party-PDS have already cut more than 15,000 jobs; now a further 20,000 jobs will go by 2012.

Apart from the relentless destruction of jobs, other savings will be made by cutting pay. In this regard, it is worth quoting from this section of the financial plan in more detail, since it provides a vivid account of the "achievements" claimed by the SPD-Left Party-PDS Senate for its workforce:

"At the beginning of the 15th legislative period, the Senate agreed to a Solidarity Pact with the trade unions and professional associations that entailed drastic cuts in personnel expenditures (€250 millions in 2003, and €500 millions annually starting from 2004). For this, the Senate established a new contract agreement with the public service trade unions, which is based on the basic principle of the exchange of payment against time off. Wages and remuneration were lowered—depending on the respective occupational group—by around 8, 10 or 12 percent; simultaneously, working time was also decreased to the same extent."

And further: "At the suggestion of the Senate, the City Council has abolished holiday pay and significantly cut Christmas bonuses as a result of a decision of the Bundesrat [Upper House of Parliament]."

To impose this so-called Solidarity Pact upon the workforce, both the Left Party-PDS and the trade unions involved continually stressed that this was to be only a temporary agreement up to 2009, in order to remedy Berlin's extraordinary financial difficulties. Although the contract to reduce remuneration and wages expires on December 31, 2009, the financial plan already assumes that "a modified follow-up regulation will apply, if necessary including additional structural measures covering pay and benefits—effecting a discharge of about €150 million per annum."

Numbers are stubborn things. If one measures the social balance sheet of the Berlin Senate by the statistics it has published, then its entire propaganda about being "left-wing," "socially-minded" or even just the "lesser evil" disappears into thin air. Based on the financial data provided, the coalition of the SPD and Left Party-PDS stands not on the left, but to the right of all the other Christian Democratic-led state governments.

All in all, the Berlin Senate's financial plan provides a clear picture of how the German capital was systematically ruined through the various budget cuts imposed in recent years. It likewise demonstrates how the SPD-Left Party-PDS city government has transformed all the massive losses of income for the city, such as the reform of corporate tax or the banking scandal, into a golden goose for the wealthy at the expense of ordinary people.

The pursuit of this course meant the Left Party-PDS lost more than half its votes in the last election. Despite this, and in alliance with the SPD, it is preparing to implement deeply hated austerity measures for an indefinite period.