The German Left Party and Berlin’s austerity budget

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In its party propaganda the Left Party constantly stresses the “primacy of politics” over economic and business interests, thereby seeking to encourage illusions in the type of reformist politics that prevailed in Germany 40 years ago. In Berlin, the Left Party has been active in the city administration for nearly nine years and has demonstrated in practice on numerous occasions that it is even more prepared than other bourgeois parties to bow down to the primacy, or more accurately, the directives, of big business.

The Berlin Senate, consisting of a coalition of the Social Democratic Party (SPD) and Left Party, has responded to the international economic crisis by revising its budgetary deficit on two separate occasions in 2009 and then implementing supplementary budgets to counter the city’s growing indebtedness.

In July the SPD and Left Party agreed a budget for the years 2010/2011 that includes cuts in the city’s social spending amounting to several billion euros. The budget drawn up by the city’s former social-democratic Finance Senator Thilo Sarrazin—currently at the centre of scandal concerning his latest racist outburst—totals €21.32 billion. At the same time the city has an income of €19.2 billion. The difference between the two figures must be accounted for by deep-going cuts to the city’s social services.

The suggested cuts will hit the children and young people of Berlin especially hard. The latest budget was introduced by the new finance senator, Ulrich Nussbaum (independent). Nussbaum was appointed to his post in May by city Mayor Klaus Wowereit (SPD), and the appointment of this lawyer and entrepreneur was supported by the Left Party. Nussbaum had functioned as finance senator for the SPD-led administration in Bremen between 2003 and 2007 and has now been appointed to restructure the Berlin budget.

Upon taking office Nussbaum declared his intention to increase ticket prices for the city’s public transport system (BVG) and stated he would not pay out a salary increase agreed for BVG clerical staff. He also suggested a trade tax for lawyers, doctors and tax advisors. The only real criticism from the Left Party is that they had been excluded from his consultations.

Nussbaum’s revised budget involves new debts totalling almost €6 billion. In the meantime, the mountain of debt in Berlin has soared to €60 billion. While millions are being saved through cuts to the city’s social fabric, the banks are able to rake in interests payments on Berlin’s debts amounting to €2.8 billion per year.

Speaking to businessmen at the Berlin Chamber of Industry and Commerce (IHK), Nussbaum declared his readiness to implement a budget up to 2013 based on zero growth in public expenditure combined with long-term savings of €250 million annually. According to the calculations of the city’s finance department, during the same period Berlin’s level of debt will rise to nearly €70 billion.

All of this is in line with the previous practice of the Left Party. The office of Economics Senator Harald Wolf (Left Party) has produced a high-quality brochure that states, “Alone among states, [so-called city-state] Berlin has maintained a singular course of budget consolidation since 2001 and is the only state to cut its primary expenditure by double-digit figures. On average comparable primary expenditures in western states have risen by an average of 5.4 percent.”

Cuts in Berlin’s Central district

The Berlin budget envisages massive cuts for the city’s districts. This was made clear by the Berlin finance and youth councillor Rainer Maria Fritsche (Left Party), who sees his main task as the implementation of the austerity plans drawn up by the senate. Fritsche is seeking to save €42 million and continually stresses that he will bring the austerity budget “to completion—whatever it takes.” The Left Party cynically describes the cuts involved as “tightening and strengthening.”

The city’s third largest district, Central Berlin, with 330,000 inhabitants, is governed by a district administration consisting of the conservative CDU, the SPD, the Greens and the Left Party. The savings planned for the district will directly and adversely affect the provision of facilities for young people through the privatization of youth clubs and other institutions. Fritsche also wants to save several million euro by reducing the maintenance costs of state-run buildings by 20 percent. Five million euro is to be saved directly through cuts in personnel, with 125 jobs to be cut in the district authority.

Further cuts will be made in other sectors of the social infrastructure, including the closing down of three leisure centres for senior citizens. This will put an end to any cultural facilities for the aged. At the same time, support for patients suffering from dementia is to be cut back. The budget plans also envisage the closure of the Berthold Brecht library in the city’s Karl Marx Allee, as well as other well-known cultural centres.

A leading international school in the city centre is to be closed, and the number of therapists involved in social work for young people will also be slashed. The local post service will also be privatized. The situation is similar in the city’s other districts.

Social decline in Berlin

The city's public transport system is also facing collapse. Wages and benefits for BVG and other transport workers have been cut, and the transport system's workshops are forced to operate along the lines of privatized enterprises. Fees for energy and water in the city have risen by up to 50 percent and cuts have been implemented in the fire brigade and emergency services. New and necessary equipment for the fire brigade has been put on hold and the city's schools and kindergartens have also been starved of funds.

Such cuts make a mockery of the propaganda used by the Left Party in the recent federal election, which featured the parliamentary faction chairman of the Left Party, Gregor Gysi, grinning from election posters with the slogan "Wealth for all." In fact, Gysi shares responsibility for the social decline of Berlin. In the first weeks of his term in office as economics senator in 2001, he rescued the bankrupt Berlin Bank Company with a €23 billion surety. He then moved to cut the juvenile welfare service budget from €400 million to €230 million. These measures were the opening shots in an orgy of cuts to wages, benefits and social gains in the city—all aimed at bailing out the Berlin Bank Company.

The senate has cut subsidies for the homeless and disabled, and was a pioneer in Germany when it came to abolishing free educational learning aids. In 2003, Berlin quit the state contract system in order to enforce wage cuts for public service workers of up to 12 percent. In 2004, the Left Party and SPD then abolished the subsidized transport pass for the unemployed. Following a public outcry the pass was re-introduced, but at three times the price. The Berlin Senate has also cut subsidies for the blind and sacked all the drivers of buses for the disabled. Their places were taken by so-called one-euro jobbers. Now nearly 37,000 workers in Berlin are employed in jobs paying one-euro per hour. Tens of thousands of other workers are employed in other forms of low-wage employment.

A total of 110,000 workers receive an income that hovers around the official poverty line, and a quarter of the city's workforce is subject to so-called atypical conditions of employment (part-time, contract agency work, mini-jobs) earning an income less than the paltry Hartz IV welfare payments. As a result, every third child in Berlin grows up in poverty.

Parasitic capitalism

In order to satisfy the interest payments of the banks, the SPD and Left Party have been selling off public property to financial investors. In 2004 the Left Party supported the privatization of large sectors of public housing stock. The GSW Housing Association was sold off to the international investment companies Whitehall (Goldman Sachs) and Cerberus for €405 million. The WBM Housing Association was sold to investor Puma Brandenburg Limited, which publicly campaigns for higher rents. In its budget for 2007/2008 the senate continued to receive €272 million in proceeds from the selling off of apartments. During the period in which the Left Party has shared power in Berlin, no less that 120,000 apartments have been sold. At the same time, subsidies for tenant consultation and rent advisory services were cut.

The Berlin Senate has also carried out unprecedented attacks on the city's health service. The Berlin government formed by the union of several urban hospitals the biggest German clinic group of Vivantes network for Gesundheit GmbH as a hundred percent daughter of the country Berlin.

Cuts of €39 million in the health service were implemented following the budget of 2003/2004. Most of the savings resulted from wage benefit cuts for 13,000 health service personnel. If they refused to accept cuts to their Christmas and holiday pay, staff were threatened with the sack. Under Vivantes management 4,000 jobs and around 1,000 training places have been slashed. The cuts make it impossible to treat patients with health care insurance on a level consistent with current scientific and technological developments.

Changes in the nature of global capitalism during the last two decades have meant that public treasuries have been increasingly opened up to the speculative financial casino. German city and state administrations have become gamblers on the global derivative markets, undertaking increasingly perilous financial transactions.

Utilizing so-called cross border leasing (CBL) agreements, Berlin—like many other municipalities—has sold off public transport, trade and meeting halls, waste incineration and power plants, as well as real estate, to financial investors. The proceeds are then used to satisfy the banks while at the same time the privatized real estate is rented at favourable terms to major investors. Following the financial crisis the implications of this system have become ever more apparent, with such speculative transactions demanding huge additional sums to insure and secure such deals.

The cities concerned have been forced to insure the properties they have sold off against destruction and other forms of the depreciation. The German contract parties had concluded most such insurance policies with the American International Group (AIG), which in turn suffered heavy losses following the collapse of the US mortgage market and has been downgraded by rating agencies. Cities and municipalities now confront the problem of switching their insurance to another (more expensive) insurer or buying up US government loans to provide security for their investments.

Despite the fact that the financial risks are now well known, the Berlin Senate continues to conclude credit security contracts known as credit debt obligations (CDO) and credit default swaps (CDS).

International financial sharks and rating agencies in return have applauded the work of the SPD-Left Party Senate. According to the Fitch rating agency with offices in London, New York and Frankfurt, "The principal aim of the ruling coalition will be to implement further measures for cost-cutting and strengthening the Berlin budget."