

Berlin city government: SPD and CDU agree on a coalition

Emma Bode

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Two months after the Berlin House of Representatives (city legislature) elections, the Christian Democratic Union (CDU) and Social Democratic Party (SPD) have agreed on a program for a coalition government. If it is not rejected by the respective parties, which is highly unlikely, nothing now stands in the way of them forming a joint government.

The two parties have succeeded in forming a new Senate (city government) through mutual concessions. Four ministries will go to the CDU (interior, economy, justice and health), four to the SPD (finance, education, labour and the environment, urban development and integration).

It is worth noting that in future, responsibility for science and research will be separated. The ministry of education will take responsibility for science and the ministry of economics for research, suggesting that big business interests will play an even larger role in determining research topics. Klaus Wowereit (SPD) will remain Governing Mayor and also retain the office of senator (minister) for culture.

The new Senate continues almost seamlessly the policies of the previous coalition between the SPD and the Left Party. According to the *Berliner Zeitung*, the agreement to form the new coalition could essentially also be supported by the Left Party. The focus is on consolidating the budget through massive cuts in public services and reducing spending on education and social provisions.

The SPD and Left Party had jointly governed Berlin for ten years, implementing drastic cost-cutting measures. In the September 18 elections, they lost their majority. The SPD first conducted coalition negotiations with the Greens, but Klaus Wowereit let these drop due to disputes over the construction of a motorway extension, and the fact he would only have had a majority of one vote in the House of Representatives. With 86 out of 149 seats, a

coalition between the SPD and CDU enjoys a whopping majority, through which they can enforce their plans.

The city-state of Berlin has around €62 billion in debts. Related interest charges totalling €300 million a year are paid out of the state coffers. In this context, the SPD and CDU have agreed to reduce the annual budget deficit to zero by the year 2016, four years earlier than is required under new legislation.

This means that any net borrowings to finance the existing budget deficit are prohibited. All additional revenues or reduced expenditures will be used to consolidate the budget. To achieve this goal in such a short time requires deep cuts in state spending, with catastrophic implications for the population.

One goal of the new coalition is to save an average of 3.1 percent in staff costs in the various administrative areas, meaning a greater workload for public sector workers. Another consequence is likely to be a further deterioration in social services. Recently Berlin fire-fighters protested on-going understaffing. Health boards have also complained for years of staff shortages.

In the next few years, 17,000 public service employees are set to retire. Insofar as these posts are not simply being scrapped, new hires will receive significantly less pay. Over the past ten years, the unions have signed contracts with the SPD-Left Party Senate which have led to a lowering of public sector pay. Social conflicts in the public services are inevitable.

In future, the Senate will require companies tendering for work to pay a minimum wage of €8.50 an hour. But rather than increasing wages, this will make the low minimum wage the norm.

Previously existing public sector employment schemes are to be abolished immediately by the new Senate. Also, welfare recipients will be forced to carry out such assigned work without any payment in order not to lose their entitlement to their benefits.

Non-German Berlin residents will not have the right to vote in the communal elections, as the SPD had promised in their election campaign; the CDU prevailed on this issue. Important for this party, however, is efficient business infrastructure, meaning above all the extension of the A100 motorway and the expansion of Schönefeld airport into an international hub.

In contrast to private traffic, the public transportation system will face further problems. If planned negotiations with Deutsche Bahn regarding a “municipalisation” of the S-Bahn (urban train network) fail, the different lines would be separated and individually put out to a European-wide tender process. This would likely lead to higher fares and increased disruptions of service on the S-Bahn.

Rents will continue to rise rapidly in Berlin under the new Senate. According to the coalition agreement, state-owned housing cooperatives will only be expected to increase rents up to a maximum of 15 percent in three years, instead of the legally possible 20 percent. But this still represents an annual increase of 5 percent, two to three times the current rate of inflation. And this does not take into account rapidly rising costs for heating, water, garbage removal and other incidental expenses.

There are now only 275,000 publicly owned apartments, while more than one million are in the hands of private landlords, who can push up rents according to the average rent. While rents on some state-owned flats will remain below the usual local level, so that they remain affordable by those on low incomes, this just means that those deemed “better-off” have to pay more, which in turn leads to an increase in the average local rent.

The coalition agreement promises to build 30,000 new homes in the next five years, but leaves open who will finance this. Public land will be handed over to investors free or at discounted prices; construction and building regulations will be made less onerous. This will create optimum conditions for investors, while problems in the housing market for those on average and low incomes will continue to worsen.

Even the legacy of the banking scandal that led to the collapse of the last coalition between the CDU and SPD, ten years ago, will continue to burden the Berlin state budget.

At that time, the Berlin Bankgesellschaft (Bank of Berlin) faced bankruptcy due to loss-making loans in the construction and property sector and a completely over-valued real estate fund, whose shares they had sold to an exclusive group of clients. In 2001, the first action of the SPD-Left Party city government was to pay over €1.75

billion from the state coffers to the Berlin Bankgesellschaft to prevent its total collapse. The city government then guaranteed the debts of the Berlin Bankgesellschaft to the tune of €21.6 billion.

A part of this money could soon fall due. As the *Berliner Zeitung* reported in October, proceeds from the sale of the Berlin Bankgesellschaft in 2007 to cover the remaining liabilities are almost completely exhausted.

Following the sale of the Berlin Bankgesellschaft, the state was still left holding the Berlin Immobilien Holding GmbH (BIH), the largely worthless real estate fund formerly belonging to the Berlin Bankgesellschaft. Attempts to sell BIH have failed. The city authorities will now have to pump money into this real estate portfolio, which has been starved of investment for years, so as at least to secure existing rental incomes. These costs are estimated by the city-state at €800 million over the next five years. Others suggest that three times that amount is needed.

The government programme would not have been significantly different, had the SPD formed an on-going coalition with the Left Party in Berlin or made a pact with the Greens. The Pirate Party, which has now entered the state legislature for the first time, expressed its willingness to help the SPD achieve a majority. The policies of all the parties represented in the city parliament hardly differ from each other. All bow to the dictates of the financial markets and banks.

Wowerit’s decision to form a coalition with the CDU is of significance at a national level. Given the rapid intensification of the European debt crisis, the divisions wracking the federal government and the weakness of the Free Democratic Party (FDP), a powerful wing of the ruling elite are set on bringing about a grand coalition of the CDU and SPD to rule Germany, in order to shift the consequences of the crisis onto the backs of working people.



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