# Election in North Rhine-Westphalia: A state mired in debt

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Urban decay and municipal debt are among the most pressing issues in North Rhine-Westphalia and play an important role in the upcoming state election. All of the parties directly responsible for the disastrous financial situation in Germany's biggest state are seeking to divert attention away from their own role. In particular, they seek blame the crisis on the special tax introduced after German reunification—the "Solidarity Pact for the Reconstruction of the East".

There are a number of reasons for the financial crisis in German municipalities. In the course of the past 15 years the corporate tax reforms introduced by successive federal governments have ensured that one of the main sources of income for cities, business tax, has practically dried up.

Even in cities with major industrial plants, such as Leverkusen—headquarters of the international chemical company Bayer AG—the revenue from business tax has fallen to a record low, resulting in a growing debt burden for the city. Last year Bayer AG ratcheted up a record profit of nearly €2.5 billion ($3.3 billion) after tax. At the same time, Leverkusen is now one of a group municipalities in North Rhine-Westphalia that is implementing a drastic savings program to combat excessive debt levels.

In addition, the Social Democratic Party (SPD)-Green Party government headed by Gerhard Schröder (1998-2005) ensured that municipalities pay more of the bill for the growing numbers of unemployed in Germany who are dependent on welfare (Hartz IV) benefits.

According to statistics from the Federal Employment Agency, many municipalities in NRW spend about half or more of their revenues for social services such as housing and heating. In the city of Gelsenkirchen, this spending totals 73.1 percent, in Duisburg 60.6 percent, Mönchengladbach 53.7 percent, Dortmund 52.2 percent, Hagen 46.5 percent, and 45.9 percent in Essen.

The municipal debt crisis was then exacerbated by the financial crash in 2008, although this is not the underlying cause of the problem. Prior to 2008 municipal authorities had sought to free themselves from the dilemma of rising expenditures due to growing unemployment and falling tax receipts by privatising public utilities and municipal property. In so doing many municipalities sought to raise cash by playing roulette on the financial markets—with the ordinary taxpayer footing the tab for losses.

In the cities of Gelsenkirchen, Bochum, Dortmund, Recklinghausen, Dusseldorf, Lippe and elsewhere dubious cross-border leasing transactions were conducted, whereby schools, roads, sewage treatment plants, sewer systems, water systems, street railways and other essential public infrastructure and facilities were hawked off to US investors. These interests pocketed a short-term profit and then leased these services back to the municipalities. In the process, many municipalities lost large amounts of public money on the stock market.

As a result, one in three municipalities in NRW is operating on the basis of an emergency budget. Out of a total of 396 municipalities in the state, only eight have a balanced budget. At the end of 2010 the total debt of municipalities and municipal associations in North Rhine-Westphalia stood at €56.8 billion ($75 billion).

The current SPD-Green minority state government led by Hannelore Kraft (SPD) responded to this situation in 2011 by introducing so-called "pact strengthening city finances"—notably with the support of the free-market Free Democratic Party (FDP). The pact obliges municipalities already in debt or threatened with indebtedness by 2015 to implement rigid savings measures.

A cash injection from the state totalling €5.85 billion was included to help cities balance their budgets by 2020. In return, cities must commit themselves to drastic cuts in all voluntary services and demonstrate their iron will to save by selling off their remaining “silverware”.

The city of Wuppertal, for example, has a debt total of €1.6 billion and is due to receive €70.9 million in state funds, the highest subsidies in the context of the SPD pact. In exchange for financial aid the city is expected to reduce spending by €50 million per year. The town has already closed many schools and most of its swimming pools, the famous city theatre has been closed down, and damaged roads are no longer being repaired. How the city will achieve its savings target is far from certain, since no further areas for cuts have been identified.

The situation is similar in other cities in North Rhine-Westphalia. The first victims are the voluntary services provided by local authorities—theatres, music schools, libraries, youth centres and social clubs, sports facilities and swimming pools—but also hit by the cuts are schools and kindergartens that lack money for necessary renovation or the new construction of buildings.

When the states are unable to provide their own share of financial support, then federal funding is also jeopardised and the most indebted municipalities are starved of even more funds.

Given this situation, local and state politicians are trying to desperately deflect attention from their own role for the plight of communities by laying the blame on the special tax introduced 20 years ago to subsidise eastern Germany following German reunification. “The East is now so well established that they do not know what to do with the money. And we are facing an emergency in the Ruhr area”, remarked Dortmund mayor Ullrich Sierau (SPD).

The mayors of Gelsenkirchen, Oberhausen Mayor Klaus Wehling (SPD) and Essen Mayor Reinhard Paß (SPD) echoed the same message. “Those who want to receive the solidarity tax should tell us how we can raise money from other sources”, stated Gelsenkirchen Mayor Frank Baranowski. “Otherwise, we will save ourselves to death.” He gave the impression that the solidarity tax was the main cause of empty city coffers and rigid austerity plans in the Ruhr.

Further support for this deceitful campaign came from the Mayor of North Rhine-Westphalia, SPD chairman and state premier Hannelore Kraft, who declared: “Now it’s the West’s turn.”

Following German reunification in 1990 East Germans were promised “flourishing landscapes” by politicians from the West. The vast majority of East Germans have never seen any such thing. The “solidarity” tax introduced by the German government was used to destroy most of the industry and jobs in the East on behalf of West German industrial enterprises and construction magnates, who earned a fortune based on government subsidies.

The campaign against the solidarity tax is aimed at diverting legitimate popular anger over urban decay, cultural decline and the impoverishment of broad layers of society. The current and future state governments as well as local politicians responsible for cuts are removed from the line of fire, with blame allocated instead to East German workers.

The campaign is also an indication of what to expect under a new state government dedicated to new stringent austerity measures in the coming years. The imminent attacks on all social and cultural achievements will be accompanied by a campaign of lies and diversions. In a thoroughly hypocritical manner SPD placards for the election proclaim, “We stick together”—although the party is preparing the sharpest attacks on living standards in North Rhine-Westphalia in living memory.

The aim of the SPD in the forthcoming elections is to establish a clear majority for the former SPD-Green minority government and a certain stability for the next four years. This is aimed at enforcing massive cuts in all areas of social and cultural policy, thereby further undermining the quality of life for the masses of people in the state.