Berlin Senate passes new austerity budget

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30 December 2013

On December 12, the Berlin Senate (state legislature), a coalition of the Social Democratic Party (SPD) and Christian Democratic Party (CDU), passed a new austerity budget. For the first time, the two-year budget for 2014/2015 prohibits the city-state of Berlin from taking on new loans. With this measure, the Berlin Senate is prematurely meeting the terms of the constitutionally mandated debt ceiling, which prohibits federal states from taking on new debts from 2020. The SPD-CDU Senate is thus paving the way for further massive social attacks in the coming years.

In the last debate before passing the budget, governing Mayor Klaus Wowereit (SPD) boasted in the Senate: "Yes, a no debt scenario is the goal of a sensible fiscal policy. Our aim is to stand Berlin on its own feet financially." It was "not a dream to have the ambition of no longer being a net recipient" in the system of allocating funds to the federal states.

The new budget and Mayor Wowereit's statements amount to a further declaration of war on the people of Berlin, who confront years of harsh austerity measures.

Wowereit's announcement about transforming Berlin from a recipient of funds into a donor illustrates the extent of the planned cuts. Berlin is currently the main recipient in the federal state financial equalisation system, and receives annual transfer payments worth billions. In 2012, it received €3.3 billion, and almost €2 billion in the first half of 2013. Running up to 2019, Berlin faces further cuts amounting to billions. By that date, the current financial equalisation system will expire.

The balanced budget Wowereit has adopted was made possible by the brutal austerity policies of previous state governments. Above all, in its 10-year reign (2001-2011), the so-called "red-red" Senate of the SPD and Left Party organised a cuts orgy that is unprecedented in Germany. Under Finance Senator (state minister) Thilo Sarrazin (SPD) and his successor Thilo Nussbaum, thousands of jobs in the public service were slashed, wages massively lowered, billions of cuts imposed in culture and education, the Berlin Water Works and public housing companies privatised and social housing construction halted.

The consequences have been poverty and hopelessness for hundreds of thousands of Berliners. In November 2013, some 17 percent of the population were dependent on the meagre "Hartz IV" welfare payments, more than in any other federal state. The dramatic situation was confirmed in the poverty report for 2013 presented by the National Conference on Poverty and various welfare organisations on December 19. Berlin is among the poorest federal states, and with a poverty rate of 21.2 percent stands far above the national average of 15.2 percent. Poverty is increasing rapidly; in 2008 in Berlin, "only" 18.7 percent were poor.

The new budget will exacerbate the social catastrophe. It provides for expenditure of nearly €23.5 billion annually. This means a real budget reduction, as spending will rise significantly more slowly than the rate of inflation. As of 2015, the Senate wants to achieve a surplus, which will go towards debt reduction. The financial situation of Berlin is catastrophic. The state government has €63 billion of debt, almost €22,000 per inhabitant. This corresponds roughly to the situation of Detroit, the former auto capital of the United States, which now faces bankruptcy.

While in Detroit, an unelected liquidator represents the interests of the financial elite against the people, and is organising privatisations and cuts, this task has been undertaken in Berlin by the Senate. In the autumn of last year, the CDU-SPD state government adopted a revised version of the so called "Risikoabschirmungsgesetz" (Risk Avoidance Act) of 2002.

This notorious law was one of the first acts passed by the then SPD-Green Party coalition in the Senate. Its purpose was to rescue the Berlin Bankgesellschaft finance house, which had promised fabulous profits for its wealthy real estate fund investors as a result of dubious speculative transactions. The Left Party and the SPD undertook to provide taxpayers' money amounting to €21.6 billion in order to guarantee the debts of the bank and to ensure the speculators received a return.

Only last year, the Senate passed a new law promising the real estate speculators further loan guarantees worth billions. The decision reached on September 26, 2012 states that the Act authorises “the Senate Department of Finance to establish a guarantee ... for the remaining risks in the real estate services business of the Bank Gesellschaft Berlin AG, as well as for the compensation of insolvency risks in the BIH Group in the amount of €3.8 billion.”

The actual amount may be many times more. The expansion of the Risk Shield Law applies not only to “legacy” debts, but also includes all new loans completed since 2002. The law states explicitly that the authorisation for “loans and borrowing commitments” applies to those “which since the 16th April 2002, were the subject of a rollover, novation or refinancing, or were undertaken by the Berliner Immobilien Holding GmbH (BIH) under continued existence of the guarantees provided for in the Risk Shield Law.”

All the official statements justifying Berlin’s austerity measures—which amount to the claim that the population of Berlin must tighten its belt because the coffers are empty—are false. Berlin is being systematically bled dry by a policy that places the interests of the banks and speculators higher than those of the population. Each year, Berlin transfers around €2 billion to the banks for interest payments.

This policy is supported by all the parties in the Berlin House of Representatives (state legislature). Udo Wolf, leader of the Left Party, took advantage of the general debate on the two-year budget to sing the praises of the austerity policies of the SPD-Left Party Senate. He said that this has led in the direction of a balanced budget: “For more than ten years, with great effort, we have done what can be done at the level of Berlin. We have created the conditions for having a balanced primary budget. That was not easy, but we’ve managed to achieve it. And it was right.”

The Green Party attacked the austerity budget from the right. The financial policy spokesman of the Green group in the state legislature, Jürgen Esser, accused the SPD-CDU Senate of not really presenting a budget without new debts. Esser criticized the loan guarantee framework outlined by the Senate in the budget in order to cover the necessary additional financing needs of Berlin airport. “You have granted authorisation for 6 billion in new debt,” grumbled Esser. For the SPD, in addition to the path of fiscal consolidation there was a “second world of boundless freedom” to create unlimited “credit”. A Green Party motion requests that Berlin not only apply the debt brake but also explicitly adopt it in the state constitution.

All parties are aware that the massive attacks on the population will bring about increasing social resistance and are preparing for this. The only area in which new jobs are being created and larger sums invested, is the area of i nternal security and the police. According to Interior Senator Frank Henkel (CDU), the budget creates a prerequisite for 584 additional security posts, and 350 new jobs in law enforcement and property protection alone.

This beefing up of the forces of the state is supported by the so-called opposition parties in the House of Representatives. During the debate on the budget, representatives of the Left Party, the Greens and the Pirate Party explicitly praised the actions of the SPD-CDU Senate. Alexander Spies, the leader of the Pirate Party, declared that he did not want to be “unfair” to the government. “At least as far as the protection of property is concerned, you have managed to turn things round at the last moment, and have decided to include the necessary posts in the budget.”

The most aggressive campaign to increase police numbers has long been conducted by the Left Party. In September, the Left Party called on the State Parliamentary Committee on Internal Affairs “to stop staff cuts in the Interior Ministry,” and urged the Senate to “bring forward a plan as to how the tasks of property protection and prison management can be done with sufficient staff in future”.