

'Locust Funds' Seizing German Housing Sector

by Rainer Apel

The big run by the international "hot money" crowd on Germany's real estate and its public-housing sector in particular, is heating up. "Super Returns," the theme of a conference in Frankfurt on Feb. 20, of several hundred hedge funds, private equity, and other funds, indicates their expectations: generating giant revenues from big shares of public housing which are bought at a favorable price from cash-strapped municipalities. A half-million apartments in the municipal housing sector have already been purchased, and the purchase of 2 million more is in the works, according to a new survey by Morgan Stanley. The planned purchase of 48,000 apartments in Dresden by Fortress, a U.S. fund, for 1.7 billion euros, will be one of the bigger deals in this category.

The run on Germany's municipal housing sector began in Berlin in 2004, when the Cerberus fund bought almost 65,000 apartments from the publicly owned GWS for 2.1 billion euros, and another 4,000 from GEHAG, a housing agency also owned by the city. The much-contested deal, signed in May 2004 by the socialist Berlin administration, after months of heated public debate, gave the heavily indebted city 405 million euros, and made Cerberus a leading factor in the Berlin housing sector. The Berlin administration has sold 170,000 apartments over the recent years, but still owns 270,000.

The relatively secure revenue from the housing sector allows funds like Cerberus to get preferable conditions for loans from banks and other funds for highly speculative operations that yield (so far, at least) enormous profits at excessively high interest rates, in places like Iceland, for example. Some of these profits end up in aggressive takeover operations, such as the current one against GMAC in the United States, or even in those camps that Cerberus runs under the cover of "real estate" projects in Iraq. U.S. Defense Secretary Donald Rumsfeld, not surprisingly, has invested money in Cerberus.

Impact on Upcoming Elections

These public-housing takeovers will certainly be an issue in the upcoming September election campaign for the municipal parliament in Berlin, and have already contributed, along with other affairs, to a crisis of confidence, especially for the Linkspartei (Left Party), the minor partner in the nominally socialist Berlin administration: A strong minority has split off

from the party and will run a separate slate in that election.

The Linkspartei has also split in Dresden, where 9 of 17 city council members of the party favor the sale of 48,000 city-owned (WOBA) apartments to the U.S. fund Fortress. The sale for 1.7 billion euros, which makes the fund the owner of the housing of 20% of the Dresden population, or 100,000 tenants, is the biggest to date in the German municipal housing sector, and it has raised an alarm throughout Germany. The Dresden administration was enticed into a scheme which enables it to immediately get rid of its public debt of 740 million euros, and keep another 980 million as "guaranteed" extra revenue, over the coming ten years. Dresden Mayor Ingolf Rossberg of the Liberal Party (FDP), who has been firmly committed to selling the WOBA to the Frankfurt-based German daughter firm of Fortress, continues to praise the "benefits" of the deal, without mentioning the main benefactor—the private creditor banks.

The Mieterbund, the national association of German tenants, has repeatedly protested the Dresden sale, as a dangerous precedent for a wave of such takeovers in Germany, for which, as the association's chairman, Franz Georg Rips, told this author, a war chest of 20 billion euros has been collected by the "locust funds." Rips harshly denounces the WOBA sale as a "sacrifice to financial greed," because the high price paid by Fortress for the purchase makes more than 100,000 Dresden citizens hostages of a fund that is interested only in aggressive revenue-growth.

The ominous role of the pro-sale faction in the Linkspartei provides new evidence of the "leftist" hoax which the LaRouche movement warned against, when the project of merging various left-wing groups and anti-globalization organizations like "Attac" with the Party of Democratic Socialism (PDS) began, two years ago. The anti-capitalist rhetoric of the new party's leading demagogues, which include former Social Democratic Party (SPD) chairman Oskar Lafontaine (a former German Finance Minister), contradicts the actions of the Linkspartei elected officials in German municipalities. Instead, their deeds correspond to the destructive role which they played, when they strongly intervened in the Monday Rally movement of the Summer of 2004, to suppress a broad public debate about non-monetarist economics, which the LaRouche movement was initiating, when it revived the Monday Rallies in Leipzig, in early July 2004. Similar rallies in more than 200 German cities, only four weeks later, showed that the time was ripe for a real change in policy: The role of the Linkspartei in selling off Germany's municipal housing shows that a pro-investment credit policy in the public sector which takes the financial straitjackets off the municipalities, a policy which the LaRouche movement is calling for, is as much on the agenda now, as it was in 2004. The next big battle over economic and credit policies will be the Berlin elections, and the LaRouche movement and the candidates of its political party in Germany, the Civil Rights Movement Solidarity (BüSo), will intervene there.