Report From Germany by Rainer Apel

Stop the 'Rohatyn' of Berlin!

The LaRouche Movement is fighting the deindustrialization strategy of Berlin's Senator of Finances, Thilo Sarrazin.

Berlin's chief budget-cutter, Senator of Finances Thilo Sarrazin (Social Democrat), is out to privatize large chunks of what remains of the city's public sector, hoping to lock in his policy by June. But he hasn't calculated on the opposition that is being mounted by the LaRouche Movement, whose German party, the Civil Rights Movement Solidarity (BüSo), is running 20 candidates in the city's muncipal elections in September.

The German capital has a per-capita debt three times that of Argentina, as the result of more than 15 years of "budget consolidation," since the city's reunification in October 1990. In the Spring of 1991, Berlin had a public debt of 20 billion marks (10 billion euros), but the Federal government decided to eliminate its subsidies to the city, in the range of several billion marks a year—a payment granted to West Berlin during the more than four decades of partition. Berlin's debt then began to soar, reaching 20 billion euros in the Spring of 1994; 45 billion euros at the end of 2001; and 62 billion euros today. The brutal deindustrialization of the city after 1990 also played a role in this, as the city lost 75% of its nearly 400,000 jobs in the productive sector, by the year 2000. In the city of 3.5 million inhabitants, there are now fewer than 100,000 employed at productive jobs, while more than 500,000 are either long-term unemployed or welfare recipients. As a result, Berlin's tax revenue pays for only 40% of the annual budget of the municipal administration.

Privatizations of public property in the range of 15 billion euros, in the past 15 years, have not improved the fiscal situation. And the politicians who run the German capital have gotten worse and worse, over the years. The worst of them is Sarrazin, the man in charge of the fiscal department of the municipal administration, whose creed is "cut, cut, cut." Sarrazin, in office since January 2002, already then stated his commitment to slash 60,000 of the city's 160,000 public servants (two-thirds of that has so far been accomplished). Sarrazin wants to sell off the public transport sector, the public housing sector, and the public banking sector, all in hopes of balancing the budget.

Sarrazin is for Berlin what Felix Rohatyn was for New York City 30 years ago, when he created and ran the Municipal Assistance Council (MAC), with a policy of draconian austerity and deindustrialization.

Sarrazin's plan to privatize the city's public banking sector is also relevant for all of Germany. For several years, private banks, hedge funds, and private equity firms have tried to take over the profitable German savings and loans sector, with its annual turnover of more than 3 trillion euros. That would make for a nice speculative bubble of the kind urgently needed by a collapsing global monetary system that is increasingly running out of options. So far, a majority in Germany's political establishment has stood firmly in defense of the public banking sector; but that resistance is threatening to be undermined by the deal which Sarrazin says will bring 3 billion extra euros into the Berlin budget.

Sarrazin pushed through new legislation in June 2005, with the assistance of the London-based law firm Freshfields, Bruckhaus, Deringer, which specializes in privatizations. Assistance was also given by the Berlin office of another law firm, Wilmer Hale, which emerged from the U.S. law firm Wilmer, Cutler & Pickering.

The new legislation would permit sale of the public savings institution Berliner Stadtsparkasse, as well as other public institutions of the Bankgesellschaft Berlin Holding. The new private owner would have access to about 1.5 million bank accounts, worth an estimated 20 billion euros.

Were the Berlin sell-off to materialize, the deal would provide private banks and hedge funds with a foot in the door, to make a similar move against other cash-strapped municipalities. The 3 billion euros that Sarrazin expects to get for the Sparkasse sale, would, however, not do much to improve Berlin's financial situation.

Sarrazin's move provoked a strong response by Germany's financial market supervisory agency, BAFIN, last Autumn. His plans violate German law, which defines for public savings banks a special obligation to serve the common good, stated BAFIN.

After several months of dispute with BAFIN, Sarrazin upped the ante in March 2006, and wrote a letter to the European Union Commission in Brussels, recommending that the Commission take legal action against those blocking the privatization/selloff of public banks. He argued that their opposition 1) blocked his policy of balancing the Berlin budget—in line with the EU's Maastricht Treaty regulations; and 2) was in conflict with the EU policy of "freedom of financial services" (no obstacles to speculation, that is).