

Court Tells Berlin: 'Hold a Yard Sale'

by Rainer Apel

On Oct. 19, the Federal Constitutional Court of Germany ruled against the Berlin city-state administration's request for extra governmental funding, denying that there was a "budget emergency" in the city, and pointing, instead, to "untapped potential for extra revenues from additional privatizations," particularly in the culture budget and in the municipal housing sector. Selling off its publicly owned housing agencies with 270,000 apartments, alone could yield more than 5 billion euros to Berlin, the court recommended, arguing that it considered Berlin capable of overcoming its "admittedly difficult fiscal situation" through efforts of its own.

The ruling provides a welcome pretext for Mayor Klaus Wowereit and his Finance Minister, Thilo Sarrazin, to go ahead with budget cuts and privatizations. Both said immediately after the court ruling that they had already prepared a list of proposed cuts. Now, one equity fund after another will knock at Wowereit's door, to grab up a chunk of housing or the like (not for nothing do the Germans call these "locust funds"). Big funds like Fortress and Cerberus, which own almost 300,000 formerly publicly owned apartments in German cities, about 75,000 in Berlin, will certainly seize the opportunity in the German capital. And, although the ruling was on Berlin, its relevance for the rest of Germany's indebted and cash-strapped cities will not be missed.

Indeed, a survey compiled by Price Waterhouse Cooper, from interviews with treasurers of 204 German cities, was publicized on Oct. 23. The PWC pollsters found that four out of ten municipal administrations are considering privatizations in this sector. This ranges from partial sell-offs to all-out privatizations (Dresden sold off all of its 48,000 apartments to the Fortress equity fund, in March).

In the heavily indebted cities in eastern Germany, 62% of treasurers want to sell, and 87% (!) of the eastern cities have already carried out the first step toward privatization, by outsourcing the housing sector to a semi-public company that remains under municipal control—for the moment. The 204 polled cities own 921,000 apartments as public property, which is one third of the municipal housing sector in all of Germany.

Berlin, with 61 billion euros of public debt and the second-highest per-capita debt in Germany, is among the most impoverished areas of Germany: Four out of ten babies in single-mother households are born into poverty; the jobless rate is

way above 20% in several districts of the city during the Winter; overall unemployment in the city of 3.4 million people is close to half a million; incomes of working Berliners, including those with higher skill-levels, are below the norm in other big cities.

Industrial Decay

The German capital could invest in new jobs, particularly in the revival of its traditional role as a leading industrial city of Germany. This is what the LaRouche Movement and Daniel Buchmann, its top candidate for the mid-September elections for city-state parliament, proposed—a call that has won much support among Berliners.

But this is diametrically opposed to what Mayor Wowereit, the life-style "socialist" with the snotty slogan "Berlin is poor but sexy," and his team want. In an interview published by the *Financial Times* on Aug. 14, he said that "Berlin must move on from its industrial past. . . . Berlin must embrace its future as a post-industrial city and abandon aspirations to revive its traditional manufacturing base. . . . Berlin is Germany's only metropolis and a magnet for young people, our future-oriented business areas focus on services, on tourism, fashion, young creative industries and many other areas. We still have 90,000 industrial jobs that are relatively stable, but industrial investors are not queuing up to enter. I no longer believe we'll get anywhere near the 300,000 industrial jobs we had at the beginning of the 1990s. I'm realistic about this. . . . I really wonder why people see the value of a job in tourism as being inferior to a job in industry."

The *Financial Times* noted that "Berlin's shift towards becoming a modern service economy has gained momentum since Mr. Wowereit came to power," defining "modern" as a situation in which Berlin's remaining 90,000 industrial jobs are contrasted to 1 million service-sector jobs. The *Financial Times* and other leading mouthpieces of the world of banking have repeatedly, endorsed Sarrazin, Wowereit's budget czar, with his aggressive budget-balancing slogans like "there must be no taboos." Sarrazin's pride and joy is the "net income" of several hundred million euros which he has been able to press out of Berlin's shrinking economy, through budget cuts, cancellation of subsidies to social and cultural programs, and privatizations. That is like trying to build a bank account by not spending any money for food: It cannot last for long.

The ruling of the Supreme Court goes against the common good; it is just the opposite of what the highest legal authority in a nation should do. It just shows how much the leading institutions of Germany have been infected by the degeneracy of radical Anglo-Dutch monetarism, which insists that paying the debt is the topmost priority. The LaRouche Movement will continue to mobilize Germans against this degeneracy, and an international webcast held by Lyndon LaRouche in Berlin on Oct. 31 will be crucial to this process.