

Appendix 1

Berlin's financial situation is dramatic – yet austerity and privatizations continue

The economic and financial situation of Berlin deteriorated continuously in the aftermath of Germany's reunification in 1989.

Berlin's public debt increased from **€9.2 billion in 1990** to **€34.8 billion in 1999**.

In 1995 Berlin's government undertook to reform the city's finances and close the gap between income and expenditure "by means of a continuous reduction in net borrowing". In this way, through budget cuts and restructuring, it would "regain the capacity to act with its own resources and in a socially balanced way". All future budget deficits would be covered by the proceeds of privatisations, and a balanced budget would be achieved by 2000....

This deadline, repeatedly extended, was never met. In 2012 Berlin's debt was €62 billion!

Including guarantees, the city's debt has reached a staggering €82 billion.

From the start the approach to resolving the city's budget crisis was driven by an ideological bias towards privatisation. "Private companies do better!"

Between 1991 and 2007 both publicly owned electricity and gas utilities and public housing companies were privatised, bringing in €13.7 billion. This included the sale in 1999 of a 49.9% stake in Berlin's public water supplier Berliner Wasserbetriebe to RWE/Veolia for € 1.68 billion.

In 1994 the city's public bank "Sparkasse" was merged with a private bank in a Public Private Partnership. The resulting financial institution went bankrupt in 2001, an event that was at the heart of the famous "Berlin bank scandal." All the income from the sale went into paying off its debts.

Chart: Privatisations, not including Bankgesellschaft Berlin in 2007 for €4.622 million.

