

free-market policies for Argentina's bankruptcy.

Indications of such sentiment, have been a series of articles published in *Il Secolo d'Italia*, the official daily of the government party Alleanza Nazionale. For instance, on Dec. 21, an article was published entitled "Italy Has A Debt To Pay To Argentina," which said: "There is only one reason for the dramatic situation: the rigid, obsessive, maniacal application of liberal and monetarist recipes by outgoing Economics Minister Cavallo. . . . Do not think that our country can watch such a situation with indifference. . . . One thing we must not forget: There is a debt of gratitude that the Italians have contracted with Argentina, when Argentina in 1946 shifted toward Italy, on the order of General Peron, ships loaded with wheat and meat, to feed the Italian people after the war. The moment has come to return the brotherly help of half a century ago."

Another article, on Jan. 3, wrote that "no government in Buenos Aires alone can save Argentina from the pit. The international community must help it. Italy, in particular, due to its manifold and large historical connections, must promote a plan to that purpose."

Despite Ruggiero's obstructionism, the Italian government sent State Secretary Mario Baccini to Buenos Aires shortly before Christmas. Baccini came back calling for an initiative by the Italian Foreign Ministry in support of a moratorium on Argentina's debts to the International Monetary Fund (IMF). As concerns Argentinian debts to Italy, Baccini said that Italy could apply the policy of "debt conversion" already used experimentally with some highly indebted countries. In the meantime, the Italian government is helping Italo-Argentinian firms with a credit of 50 million euros (about \$45 million).

Italy is already applying a policy of debt cancellation or/and transformation, Baccini said, mentioning the cases of Peru, where \$127 million in debts have been converted, and Ecuador, where \$26 million have been converted. Conversion, Baccini explains, means "to act by reducing the debt and converting it to development projects, according to the scheme decided in Genoa [at the G-8 meeting]. Therefore, the debtor country invests in social works, environmental projects, and schooling, with control from the Italian government over the implementation of the programs. . . . Of course, this involves some cost, but it is also an investment for the new generations, besides representing an engine for the economy in those countries where Italian firms invest and work, as well as for the Italian economy. Our effort is to transform sympathy toward Italy into reliability, giving birth to a sort of permanent 'Marshall Plan' on the infrastructural and human level. It is, I believe, also a way to put in practice Pope John Paul II's exhortations on globalizing solidarity."

The first test for Berlusconi as his own Foreign Minister will be exactly such a challenge. Will Italy take the lead in a European initiative in support of Argentina, breaking with the IMF's murderous policies?

Berlin Is Entering An 'Argentine' Future

by Rainer Apel

Ten weeks after the Oct. 21 elections for city-state parliament, the Social Democrats (SPD) and Democratic Socialists (PDS) of Berlin concluded their talks on Jan. 7 and decided to form a government coalition by Jan. 17. The two parties' intent to run Berlin by a "red-red" coalition has sparked intense controversy among many Social Democrats: The PDS is the successor to the communist Socialist Unity Party (SED), which was nominally dissolved after the collapse of the East German state in late 1989. Older Berlin citizens still remember the year 1946, when the communists of East Berlin forced the SPD into the newly formed SED, in a "unity" that was based on political suppression, mass arrests of SPD dissidents, and even assassination of many of them in camps established by the communists on the very sites of the Nazi concentration camps of 1933-45.

Prominent members of the SPD who have quit the party after decades of membership, include Willi Sickert, longtime leader of the labor unions in Berlin's non-communist west, and Klaus Hübner, longtime police chief of the city's western part. With them, the SPD will lose many of its core constituencies, which have been members and voters in the party for 30, 40, 50 or even more years. With the decision to take the PDS as a coalition partner, the SPD has crossed a Rubicon that had existed in Berlin for 56 post-war years.

But also younger members and voters of the SPD who do not have a personal memory of the first 20 or 30 years of communist rule in East Berlin, and are not shocked at the new "red-red" alliance, are certain to turn their backs on Berlin's SPD Mayor Klaus Wowereit. The obsession with budget cuts that has reigned over the birth of this new coalition is certain to cause a deep gulf soon, between the administration and the population. Even many members of the PDS will be driven away, by the transformation of their party into what angry Berliners have renamed from Partei Demokratischer Sozialisten (Party of Democratic Socialists) into Partei der Sparkommissare (Party of Budget-Slashing Commissars).

Deeper And Deeper Austerity

The Berlin which the SPD-PDS alliance is going to run, will not have a regular budget, but will still operate on the basis of a total budget freeze, for the next few months. The freeze was imposed, after Wowereit and his Social Democrats ousted the government coalition of SPD and CDU (Christian



Nearly all but Berlin's Brandenburg Gate has already been sold off. One of Europe's most celebrated cities is crushed under a burden of unpayable debt far larger, per capita, than that of Argentina. Unemployment is nearing one-fifth of the city-state's workforce!

Democrats) by a no-confidence vote last June, and formed a transition government with the Green Party. Delayed by the campaign for early elections between late June and late October, and by weeks of coalition talks since then, a regular new budget for 2002 may not even be discussed and passed before the Summer break in July.

Berlin is currently run by an emergency financial regime that not only cuts deep into existing budget positions, but also bans all activities of the city-state administration and its district departments that might generate "expenses." Under this regime, Berlin is not to spend money, but has to respect the priority of paying its debt of 40 billion euros (almost \$36 billion).

One-quarter of the city-state's tax revenue is absorbed by servicing the debt. The entire revenue only supports 40% of the budget—the lacking 60% is funded (and increasingly, not funded) by bank loans and extra revenues from privatization of previously state-owned enterprises. With its 3.4 million inhabitants, Berlin has less than 10% of the population of Argentina, but its debt is 20% or more of Argentina's official public foreign debt *which is itself clearly seen to be unpayable*. Berlin's per-capita debt is among the highest in the world. More budget cuts provide no solution.

The city's budget-cutting policy implies, for example, that all those services that have been outsourced from the public sector, by previous administrations (health, gas and water supply, special job creation agencies, etc.) will not receive crucial payments, as programs remain frozen, over the coming weeks and months. As many of these outsourced firms are said to be in a considerable deficit already, many of them will not survive and see the date on which the next regular budget is passed by the Berlin city-state parliament.

Rumors have it that 50,000 jobs in those outsourced firms may get eliminated (16,000 in the 10 privatized former city hospitals alone, run by the newly formed Vivantes firm since Spring 2001). This would lay off almost 5% of the total Berlin workforce, which is at about 1.1 million, presently.

The city-state's unemployment, now at almost 300,000, will then be 350,000, or almost 25% of the entire Berlin population of working age.

The employment situation is even worse than these figures tell, as only 10% of the city's present total workforce (110,000 jobs) is employed in the productive industrial sector. Twelve years ago, when the two parts of Berlin overcame their post-war partition and were reunited after the fall of the Berlin Wall, industrial employment there was still at 400,000. With an advance of the service sector, and later on, the "new economy," with real estate speculation and other ominous activities, Berlin decided to get rid of its industrial base and turn into a "modern urban center."

One immediate consequence of that has been the collapse of the state-owned bank, Berliner Bankgesellschaft, because of an over-exposure of loans and hedge-fund operations in the real estate sector. In an emergency intervention, the Berlin city-state administration took extra loans of 1.9 billion euros (3.8 billion deutschemarks) from *other* banks, in Autumn 2001, to prevent a full default of the Bankgesellschaft. These 1.9 billion euros come on top of the city-state's "regular" debt of 40 billion euros.

Berliners hearing the most recent news on the Argentine situation, may (still) have a higher living standard than the citizens of Buenos Aires, but the crisis they are in is no less threatening—to them, to Europe, and to the global financial system.