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Municipal Policy in Halle (May 29, 1994)

The following document is a transcript of conversation between Deutschlandfunk, a national news and current affairs radio station based in Cologne, and Klaus Rauen, the lord mayor of Halle. Rauen, who had previously worked as the city manager [*Stadtdirektor*] of Bonn, discusses the challenges faced by East German municipalities: the loss of residents, funding problems, and high personnel costs, among others.

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### Interview with the Lord Mayor of Halle

*The following conversation with Klaus Rauen, CDU, Lord Mayor of Halle, was broadcast by Deutschlandfunk on May 29, 1994, as the interview of the week. The interview was conducted by Gerd Breker:*

**Deutschlandfunk:** Last month, ladies and gentlemen, the members of the German Association of Cities, in a dramatic manifesto, issued an appeal to save Germany's large cities. They decried the housing shortage, rising crime, and a growing financial crisis. Today we want to inform ourselves about the problems of one large East German city. Klaus Peter Rauen, you're the lord mayor of the largest city in Saxony-Anhalt, the city of Halle on the Saale River; you're a member of the CDU. Mr. Rauen, in 1990 Halle had around 320,000 residents. Are there still as many, or has the migration to the West caused a drop in Halle's population?

**Rauen:** Unfortunately, we only have about 300,000 residents right now; that is, we've lost about 20,000, with the largest share of this population loss dating back to the period immediately after the *Wende*, when, of course, there was a very abrupt outflow of people; this development still hasn't come to a complete standstill, but it's no longer a stream, just a trickle, and that's reassuring. It's not only emigration that worries us, however, but the numbers; the population figures can only really be understood if one realizes that the birthrate has also been cut in half; that's to say, deaths are exceeding births. Far fewer children are being born, and more people are dying because the older age cohorts have grown in strength, so this is causing a negative balance as well. Thus, this negative population trend is combining with emigration, and together these two factors are leading to losses that are not disproportionately high in Halle; the situation is similar in other large cities.

**Deutschlandfunk:** Mr. Rauen, four years ago, you yourself came to the Saale from Bonn on the Rhine, where you were city manager. Therefore, you're familiar with the difficulties of municipal government in both East and West. If you think back to your first personal impressions, what stood out as being different in the East compared to the West?

**Rauen:** Let me put it very matter-of-factly. It was the catastrophic state of the cities with regard to infrastructure, the condition of buildings, and the state of industry and commerce. Now, I have not yet mentioned the psychological factors, which surely also contribute to this difference, if one looks at the people. I simply want to describe these external conditions. When – as in Halle, for example – in a city relatively little damaged by the war, there are 11,000 vacant, uninhabitable apartments in the downtown area, a dreadful legacy of the GDR, then it becomes clear – and these apartments would house 35,000 to 40,000 people – that these cities suffered to an extent barely imaginable to those in the West. And when one knows that the infrastructure – to name just one example – in a city like Halle would require an outlay of 2 billion in the area of wastewater plants alone, partly to build non-existent sewers, to repair existing ones, to restore completely inadequate wastewater treatment plants, then these examples might make clear how hard these cities have been hit at the core, and how difficult it is for these cities to catch up with their Western partners to some extent.

**Deutschlandfunk:** You've already mentioned the high costs for a municipality. Let's turn to the financial situation as such, namely to the income side of cities. The Institute for Economic Research here in this city [Halle] has estimated that for the year 1992 the income taken in by East German cities in trade tax will only amount to 8% of what will be taken in by the West. The Institute has calculated that the share of the income tax for municipalities in the East is 26% of what is taken in by the West, and even with respect to the earnings-unrelated property tax, the tax revenue for cities in East Germany is only half that of cities in the West. Can you confirm this trend for your own city, and what does this paltry revenue really mean for communal self-government?

**Rauen:** You bring up a crucial point. I'll try – you've described me as a wanderer between two worlds – to make this clear to you. I'll just take the examples of Bonn and Halle, because they are perfectly suited to demonstrating the differences. The two cities are nearly identical in population, but the two cities differ in their structure. Bonn, as you know, is home to an extraordinary number of government agencies and services, which – as far as the federal agencies are concerned – are all institutions that pay no trade tax, and this makes Bonn a city that is relatively weak in terms of trade tax. Halle was a city very strongly shaped by industry and commerce, always was, and should therefore have a particularly high share [of income] from commercially generated taxes. But the exact opposite is the case: with the same number of residents, the city of Bonn – where I was once treasurer, I'll just take an approximate figure from 1992 – took in about 250 million in trade taxes, whereas the city of Halle took in 16.8 million during that time. Of course, in the meantime, western German, and southern German cities, too, have suffered losses, because the weakness of the economy has affected them as

well; still, if I take the rate in Bonn, which I don't know specifically according to the latest figures from 1994 – if I assume that this figure of 250 million remained more or less the same – then we have a growth here [in Halle] of around 24 to 25 million. As you can see, this is a glaring distortion. And if we now take the share of the income tax, in Bonn we have, of course, a population with an above-average income, and here [we have] a population with an income that is slightly above-average for the new states, so in that respect it's possible to compare the two cities as well. In Bonn, the share of the income tax, again, is 250 million Deutschmarks and in Halle it's 50 million. That's to say, in one case one fifth, in the other case very small fractions, and if you now add all of this up so the listener can get a picture, you'll end up with a share of 25% self-financing by the cities in the new federal states; that means, in other words, that 75% needs to be made up by contributions from third parties, and these are contributions by the *Land* [federal state], and since the new *Länder* [federal states] are also poor, the paymaster is primarily the federal government, that is, tax payers throughout all of Germany. Without this substantial help, these cities are of course in no position to engage in self-government. In view of the figures I have just mentioned – that is, a shortfall of 75% – there's no need at all for me to describe to you the disaster that would ensue if this were not made up. But one must also add right away, only if one really grasps these figures can one recognize the immense importance of what we refer to in shorthand as the "Solidarity Pact," for this solidarity pact is, so to speak, the financial guarantee for the deficits that exist in the East German cities and in the East German states. Thus a balance is achieved here only through this gigantic transfer of tax revenue from the Western federal states; and the fact that this naturally leads to losses for western and southern cities, for the *Länder* in the West – so that an appropriate approximation of the Western standard can be gradually achieved here – invariably leads to unhappiness on one side and discontent on the other, and perhaps this our problem here in Germany. But the general solution that has been found is a major political achievement; this must be said over and over again. This also must be said to the people here who have not yet understood this, because for them the term "Solidarity Pact" has yet to be filled with adequate substance.

**Deutschlandfunk:** Now, the financing of local governments – including those in East Germany – will occur in the near future through the entirely normal, let me say, State Fiscal Equalization Scheme [*Länderfinanzausgleich*]. What will that mean for the cities? Will you then have guaranteed financing for the long term, or how will this be done?

**Rauen:** Well, we have to distinguish between two sets of problems. So we have, first, the State Fiscal Equalization Scheme, the equalization between strong and weak states. And then there's fiscal equalization between the cities and the state, cities and communities and the state. The two are connected because everything is fed from the same source, namely from tax revenues. And since everything can be divided up only once, the enormous accumulation of tasks will also lead to an intensification of the battle among the states over allocation. Of course, we want the largest possible chunk from the respective states – in this regard all the cities are the same, in East and West alike. The states want to keep as much as possible for themselves. That's the normal starting point, and it always exists when someone has more and the other has less and an equalization is supposed to take place. But what is especially burdensome here is that the

tasks for the states and communities are incomparably greater than in comparable Western states and cities. The standard that has existed there for over 40 or 45 years has now reached a level that people here, at best, can only dream about. And since people don't want to wait forever, and since they tell themselves, we're going to die, after all, and what use is it to us if the favors coming from the West reach us in 20 years, because we'll be dead by then, and it won't do us any good, a basic mood of discontent arises if, on the one hand, one has before one's very own eyes what was once imagined as the Western paradise (which by now has also taken on some less pleasant aspects), and, on the other hand, one has also experienced the disaster in one's own region, own city, own community.

**Deutschlandfunk:** Now, the Deutsche Bundesbank, as a response, as it were, to the manifesto of the German Association of Cities, has reproached the East German communities by saying that their personnel ratio is too high, that the costs in the administrative budgets, as far as personnel costs are concerned, don't add up, that they must be reduced.

**Rauen:** This general statement is correct or was largely correct. I'll make this clear to you by using the example of Bonn-Halle once again. In Bonn, I also headed the personnel department for a time, and that city has a staff – meaning administrative staff – of about 5,500. When I came to Halle, I found a personnel body of 13,000, and I'm talking about a city of the same size. And about a city that, during GDR times, obviously had far fewer responsibilities than is the case in a western or southern German city. By now we've cut about 4,500 employees; that's to say, we recognized this imbalance, which the Bundesbank rightly skewered, and not only did we recognize it, we also took resolute steps against it. Of course, this is a difficult business, 4,500 people is a lot, and to release a portion of them into joblessness is also a heavy psychological burden for the decision-makers, a burden that they have to bear. It literally cannot be done without tears, and without vehement public discussions. [ . . . ]

Source: "Interview mit dem Oberbürgermeister von Halle" ["Interview with the Lord Mayor of Halle"], *Deutschland Archiv* 27, no. 7 (1994), p. 781 ff.

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