

No, not that German election: An anti-capitalist referendum on rent prices

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Entrepreneurs can breathe a sigh of relief and stay in Germany without having to worry about emigrating. At least for now. A government made up of Germany's three biggest left-wing parties was narrowly averted in Sunday's elections. Narrowly is the operative word, because the Social Democrats (SPD), the Greens and Die Linke (the former communist party that governed East Germany) fell just five seats short of a majority. If support for Die Linke remained steady from the last election instead of almost halving, Germany would have woken up to a comfortable majority for a socialist government.

Election day did deliver one major shock: in a referendum held parallel to federal and state elections, 56.4 per cent of Berliners voted in favour of expropriating real estate companies that own more than 3,000 apartments in the German capital. Two of Berlin's governing parties, Die Linke and the Greens, both of which are junior partners in a coalition with the SPD in the Berlin Senate, threw their political weight behind the expropriation referendum.

For years, there has been a campaign against alleged "rental madness" in Berlin. Londoners will rub their eyes in disbelief at the term "rental madness", especially as the average net rent per square metre in Berlin is just €6.79 (you haven't misread that!). On 2016 figures, that number was £194 per square metre for a one-bed flat in Greater London.

Last year, Berlin's left-wing government passed new rent cap legislation, which not only prohibited landlords from raising rents over the next five years, but actually forced them to massively reduce the rents they had agreed with existing tenants – in some cases by up to 50 per cent. However, Germany's highest court, the Federal Constitutional Court, declared the rent cap unconstitutional.

With the referendum, the anti-capitalists are now trying to achieve the same goal in an even more radical way by nationalising large rental housing companies. This is absurd. What Berlin's governing politicians are doing to the city's housing market was already attempted in the communist GDR. The two basic principles of the GDR's housing policy are identical to those

that are being tried again today: state housing and rent freezes. Why don't people learn from history?

Let's look at the numbers: in 1989, 65 per cent of all GDR apartments were heated with coal stoves. Of those, 24 per cent did not have their own toilet, 18 per cent didn't have a bathroom, 40 per cent of GDR apartment buildings were "severely damaged" and 11 per cent were completely uninhabitable. 200 old town centres in the GDR were severely run down.

Citizens had to wait many years before they were allocated one of the coveted pre-fabricated "Plattenbau" apartments. Old apartment buildings in Leipzig, Dresden, Berlin and other East German cities had deteriorated to such an extent that, after reunification, many billions of taxpayers' money had to be invested in a renovation program. In addition, a considerable volume of new construction was required to eliminate the housing shortage in East Germany. A total of 838,638 apartments were completed in the new federal states and East Berlin in the 1990s. The cost amounted to €84 billion.

Back to the referendum: Berlin's politicians are not actually bound by the result. It may be that the referendum's expropriation proposal never actually becomes law. Even if it does, it could well be declared null and void by the Federal Constitutional Court. Apparently, that is the outcome that the housing companies are pinning their hopes on.

Irrespective of the expropriation of the largest housing companies, one thing is set to continue in Berlin: indirect expropriation. Property owners' names may continue to appear in the land register, but all the essential features of private property rights are being eroded so deeply that it is now a hollow legal title. This is the real danger, even if the government doesn't go as far as formal expropriation, landlords are effectively becoming employees of the state. They might be able to collect rent, manage the property and pay the bills, but everything else will be determined by the state.