

**Transcript Ep.47: Housing Expropriation Referendum in Berlin**

**[Intro]** *This is the Urban Political. The podcast on urban theory, research, and activism.*

**[Ross Beveridge]** Welcome to the Urban Political. My name is Ross Beveridge, and I'm with my colleague, Markus Kip. Today's podcast looks at the success of the recent housing de-privatisation re-municipalisation referendum in Berlin, *Deutsche Wohnen Enteignen*. We remind ourselves what the campaign was about. We look at what just happened, what is going to happen next, and the likely challenges in store. We also consider the wider implications of the Berlin case. We are very happy to welcome back two guests from previous podcasts on the subject. Joanna Kusiak, who is a Research Fellow at King's College, Cambridge, and a Visiting Scholar at Georg Simmel Centre in Berlin. She's also an activist, prominently involved with *Deutsche Wohnen Enteignen*. And Andrej Holm, who's a sociologist working at Humboldt University of Berlin. Andrej is also a very prominent housing activist in the city. So perhaps, Joanna, if you want to start, just give us a quick recap. What just happened, and what was the result? what was the process leading up to it? Remind us very briefly of some of the main arguments for and against, who was supporting and who was opposing the campaign.

**[Joanna Kusiak]** I think we have to do with the historical results. And I would even say that on the 26th of September 2021, the domination of corporate finance over Berlin homes is over. Of course, there will be still a political and legislative process that follow. But it is a remarkable result, not just the majority that voted yes in the referendum, but in the absolute numbers we had over 1 million people voting yes for expropriation or socialization of housing that is still owned by corporate landlords. And this is this million votes, it's more votes than any political party got in this election. If we were a political party, to speculate, if referendum were a political party, we would have absolute majority of voters now. I'm saying all this just to show that there's enormous political mobilization and enormous political power that is linked to this cause of taking housing back and taking it out of the spiral of financial speculation. The initiative *Deutsche Wohnen und Co Enteignen* started in 2018. And with the recognition of the measures that Berlin and Berlin tenant movements took to reduce the rapidly rising rents, they are not enough, or they leave, as always, in the defence when it comes to the new actor that appeared on the housing market, which is a corporate landlord. These corporations are big scale entities. The referendum calls for expropriating all that own at least 3000 or more apartments in the city. And although they appear to be operating on the housing market, it's always important to remember that their primary loyalty, their primary market of operation is the financial market. And just as in the, let's say classical system, the traditional landlord-tenant relation is in the end, the tenant is a sort of client in capitalist mode for the landlord.

This is not like this when it comes to corporate landlords. The actual clients of corporate landlords are shareholders, and all the shareholders care for is increasing the returns of profit. That means that almost independently what dynamic is present at the housing market. And additionally, in Berlin, the demographics is growing. These corporations are technically structurally obliged to always up the rents, and to save the cost of maintenance, and they've been doing it in creative ways. They have their legal departments. They're very skilled in finding loopholes in the existing tenant law. So, the referendum came out of the recognition that the only way of really solving the housing problem in Berlin is to address it at its root, and that's the property relation. So, with this referendum, the call,



and now politically successful call, is to expropriate corporate landlords that own 3,000 or more apartments, which means altogether at least 240,000 apartments in the city.

**[Markus Kip]** Do you mind doing a little recap of what the key arguments leading up to the expropriation campaign were and how they were countered? I think we already heard some of this in the previous episode with Joanna. But maybe now, reflecting back on it, what were the key ones that have convinced the electorate.

**[Andrej Holm]** Mobilization for the referendum is a result of extraordinary grassroots mobilization during the last two years, because most of the political parties, most of associations, most of newspapers mobilized against the socializations in the last month. And also, some co-op housing corporations sent letters against socialization and therefore, I guess that a basic source of success was the grassroots mobilization. That around 2000 activists mobilized in all parts of the city, not only in the inner city, and you can see it also in the results. So, in 10 of 12 boroughs the majority vote for socialization and for expropriating the big companies. And at least this success shows that the belief in the market is a solution to the housing question. This is in a deep crisis in Berlin. Nobody believes that the market or that only new construction will solve the rent increases and will solve the housing crisis we have in Berlin since many years.

**[Joanna Kusiak]** Yes, and maybe just to follow up on what Andrej is saying, I mean, the success of referendum is the result of this enormous mobilization. And this is by far the most successful referendum of all referendums that we saw in Berlin in the recent years, in terms of absolute numbers. How many people signed, first to get the signature to have a referendum started and then how many people actually voted yes. And this in itself, this mobilization is the result of the courage and of the imagination that I think people in Berlin were ready for. I think everyone is sick and tired of half-solutions and of the lack of political courage concerning the solving of the housing crisis. So even if at the beginning, and anecdotally the idea for the referendum was, I think, being considered during Andrej's birthday party. Everyone says that this will become a political legend now, but this is true. That it was Andrej Holms birthday, that was one of the nests of creating this new sort of imagination. But even among these activist medias, and Berlin is a fairly radical city in comparison, at the beginning there was a lot of scepticism.

Can we really go that far, can we really call for expropriation? Not for rent reduction, not for rent freeze, but straight on for the expropriation of these corporate entities. And many people, including on the left, including activists, they were fearful that this is asking too much. And we see that in the end, it is the courage in politics that creates power in terms of grassroots mobilization. It is this expanding of the imagination of what is possible and how can we solve this crisis. That also provided the important fuel that allowed this mass scale mobilization of thousands of people in all the districts of the city.

**[Ross Beveridge]** Perhaps to just follow up on one thing, one criticism or one doubt that's been raised about the campaign is this idea of, is it strategically a good idea to be going for a re-municipalisation. Could other solutions be more viable, have wider scope of potential, in terms of addressing the housing crisis? Andrej, would you like to talk through some of those issues?

**[Andrej Holm]** At first, we have to remember that Berlin was in the past a city dominated by public housing and by social housing. And in the beginning of the 1990s, more than 60 percent of the rental market was in the hand of public companies or was constructed as social housing. And during the last decades a really strong privatization process has changed the conditions of housing in Berlin. And more or less all political parties agree that the privatization was the biggest mistake in Berlin's housing policy in the last years. And therefore, it's not so stupid, as I say, to take back the housing stock into public hand, to solve this biggest mistake in Berlin's policy in the last years.

And the second argument is that the social pressure of rent increase and high rents and strong housing burdens from thousands or hundred thousands of people in Berlin. This is an immediate problem, so it's happened now, and nobody can wait that the market will be in balance in the next 10 years, following a new constructive strategy. And therefore, it was an urgent need to have a short-term solution. And re-municipalisation is a short-term solution because it'll secure 200,000 households in the socialites housing stock against displacement, against rent increases in the next year. And what we also know is that at least 95 percent of households live in still existing contracts. And it's only a few number of people housing in new constructions, also in terms of the relevance of new constructions and strategies for the existing housing stock. And it shows that it is quite necessary to find solutions for the still existing housing stock. And there is municipalization one of the best strategies to have a long-term effect and not only a short-term effect, like in social housing, or housing benefit, or other instruments, we know from housing policies.

And last argument for me is that is really a kind of myth that there is no new construction work in Berlin. When we look at the data of the last four or five years, then we know that more than 70, 000 new flats were completed in Berlin in the recent years. And this is much more than in the previous times. But nevertheless, the rent has continued to rise in this time. The result or the success of the mobilization is also so that people know that even under the condition of strong new construction activities, my rent will increase in the time, and therefore many people supported the idea to have another solution. And the solution the initiative presented was the re-communalisation, re-municipalisation of 200,000 housing units.

**[Joanna Kusiak]** It was one of the most common myth, that was spread by our opponents, that socialization allegedly does not create new housing. This is also very directly not true. First, if we see who builds the housing that is being built, then we see that precisely the corporate landlords did not build that much at all. If you look at *Deutsche Wohnen* enormous capital, 120,000 apartment units in Berlin. In the 10 years, I think between 2007 and 2017, they build less than 100 apartment units in Berlin. And this is part of the fact that, because they're so oriented towards extending profits for the shareholders, they cannot risk this long-term process of construction. They play a different game. The finance capital is always invested in the short-term game. Whereas the construction of new apartments, a risky business, that demands an entity that has more of a long-term planning and that is not so dependent on having to have profits from the built apartment within the short term. And that's why, there's a wonderful blog post at Andrej's blog web page that shows historically speaking, these were public entities that build the most in Berlin and not the private entities. And this is part of the structural logic.

The second argument is that, if we ask why did this corporation buy this housing to start with, why they were buying these hundred thousands of apartments? Because these apartments bring monthly profits. And if we re-communalize or re-municipalize these apartments, even under the condition where we diminish the rents, to make it affordable for every Berliner, this housing still brings income every month. And that means that this income can be successfully reinvested, for example, to

construct new housing, to improve the quality of the maintenance, to transform the housing stock so that it matches the ecological criteria that are needed for the current times. And this is the question in the end. Do we need to use the income that comes from the rent, that comes from the salaries of Berliners who live there, do we want to use this money to build fortunes of shareholders living abroad? Or do we want to use this money to build apartments in Berlin? And our response as a campaign is we want this money to come back to the city to be used for the new construction, and to be used for public purpose.

**[Ross Beveridge]** Thank you, Joanna. Perhaps we could move on to thinking about what's going to happen next. What are the formal steps in the process, Andrej? What kind of challenges or potential scenarios are possible in the coming months and perhaps years?

**[Andrej Holm]** We have to look to the referendum itself. This referendum included a kind of request to Berlin's government to enact a law on socialization of large housing stocks. Therefore, the government is requested to develop such a law. And in such a law, they have to name and justify the specific housing stocks. They have to set an idea of compensation amount and the modalities of compensation. And a third part of this socialization law is to create a socialization agency. The initiative proposed an institution under public law as a actor or agency of socialization, and such an institution has to be established by an institutional act. In German, *Einrichtungsgesetz für die öffentliche Anstalt*, and this is a formal procedure. The referendum requests the government, and the new government, after the election last week, have to create such a law. The political side is much more complicated than these formal steps to a socialization law in Berlin.

Because the parties do not always agree with the request of the referendum, especially the social Democrats. They had the most votes in the election and are the biggest party in the Parliament. They argued a lot against the initiative and the referendum itself. But at least they have to implement this call from Berlin's majority at least. So, it will be quite interesting to see the process of coalition building and to see how the new coalition, and maybe it's the red-red-green, the old coalition again, how they implement the issue of the referendum and the implementation of the referendum in their *Koalitionsvertrag*, in their coalition agreement. I guess it is a really good point of the initiative that they made a lot of statements that they will stay in an active *Modus*, activity *Modus* and will intervene into the discussion around the coalition building.

**[Joanna Kusiak]** Within the German legal system or Berlin legal system, it is so that referendum is not legally binding. It means the socialization does not happen automatically just by the fact that we want a referendum. However, it is politically binding, which means it is very, especially with the results of absolute number of one million vote, it will be very hard for any party to ignore the outcomes of the referendum and the enormous mobilization that we've built, the fact that we anchor it in all the districts, that we have thousands of people on the ground. We will employ the full power of the political structure that we created. to become the watchdog and a negotiation partner to make sure that the results of the referendum will be implemented. And we are also not ready to come down with our claims. What we can negotiate is of course the form of the socialization law, but not the fact that socialization law as such must be written, which means we are not ready to come down with our claims towards some more minor versions of rental regulation.

Now, considering this legislation writing process, because what would need to happen legally, there would need to be a bill, the socialization bill. The second bill concerning the institution that would manage this housing in a democratic way, because that's the legal demand of socialization too, according to article 15 of the German constitution, and then the third bill considering the sum of compensation paid to these corporate landlords. The two crucial bills, the socialization bill and the institution that would manage this housing. We as an initiative drafted those bills in the recent months and they are available on our webpage. These are really multi page bills, written in legal language with the participation of legal experts. And of course, we don't expect the Berlin Senate would just adopt our bills one to one, but we see those bill as a benchmark from which to start the discussion about the socialization law.

**[Markus Kip]** Could you tell us something about the parameters around which the compensation amount will be determined?

**[Joanna Kusiak]** So, the amount of compensation is purely a political decision and legally speaking, within the legal parameters of Article 15 and Article 14 of the German Constitution, we know actually only one thing, that this compensation would need to be below market prices. Because if these were market prices, this would not, legally speaking, be a socialization by the BIBEC. As the podcast is being recorded in English, I want to also, I saw in lots of English media talking about city purchasing these apartments. This is factually not true. This is socialization, this is, legally speaking, a different act and it includes a very strong argument for the common good. So, this is not an act of commercial buying of housing through the city. The sum of the compensation, how high this compensation will be is technically a political decision. And legally speaking, it needs to be a sum anywhere between one Euro and one Euro below the market price. Now you might that one euro is not a politically realistic option and probably it is not a politically realistic option at the current moment. But I think it's worth mentioning to keep in mind that when East German industry was privatized, often it was privatized for one *Deutsche Mark*, so German Mark in that case.

So, it is not that there are no historical precedents for doing property transfer with outrageous prices, and technically speaking that could be possible as well. Most probably this will be somewhere in between and the legal principle to set this compensation is the weighing or balancing of interest of both sides. The one side being corporations. And we know very well what the interests are, they want to get as much money as possible. But more interesting is the other side of this balance equation, which is the common good of all Berliners, or *das Wohl der Allgemeinheit*, they say in German, so the good of the general society. And how to measure it?

And Andrej can speak more to it because he's one of the proponents of this way of measuring it. That the campaign took over. I mean, Andrej's idea is the so-called *faire Miete Modell*, the fair rents model. So, what we, in the end, propose is to set a compensation at the level that would allow to pay this compensation back with a credit. It would be financed with income from the rents, while at the same time keeping rents at the affordable level, so that even the poorest of Berliners would not need to spend more than 30 percent of the income on rents. And with this balancing of corporate interest and of this interest of tenants in Berlin, we arrive at the number around 10, 11 billion euros, which is what we propose. And of course, You will see many other numbers because it is a heated political discussion and there are different models of claiming that our model really starts from this interest of the general society.

**[Andrej Holm]** In this legal formulation, weighting up or balancing out the interest of the corporations against the general interest, we see different ways to find the compensational value or mark. And then on the side of the general interest, we have to say that the aim of the socialization of big housing stocks is to provide Berlin's tenants with affordable housing and therefore it makes absolutely sense to calculate backwards from the affordable rents to the amount what monthly and yearly can be paid for the re-financing of the compensational amount. And by calculating in this way, we can follow the initiative with a fair rent model. But also, if you calculate by other models of affordable rents, and for example on the basis that there will be no rent increase in the next year. That's a kind of model of frozen rent prices in the segment. And then you can calculate backwards, and you will see that maybe you can pay a compensation by 16 or 17 billion euros, but not more. If you go higher than such an amount, then the refinancing of the socialization will be hollowing out the aim of socialization.

If you need a rent increase to pay back the compensation then it makes no sense, from the general interest. For the other side of the market actors, we discussed what is a minimum compensation they should get from the compensational regulation. It's an interesting model based on the real investments the companies spent during the last 10 or 15 years into the housing stock. So that we sum up all investments, what they paid for the property, how many investments they invest for modernization and improvement of the housing stock, and then we can give them a short extra credit for their investment. It's also around 15, 16, 17 billion euros. If you calculate based on what say really invested in the last years. We could say that this is quite a fair compensation. We give them back all of what they spent during the last years, and then we calculate an interest rate by 4 percent of this own investment. I would say this is fair enough to compensate the property.

But the market actors itself, the big companies, they are oriented on the market value. But the market value was more than 30, 40 billion euros in Berlin. It's at least a result of real estate speculation, and there's no real value against this speculative market values. And therefore, it makes no sense to compensate, with the market value at least.

**[Ross Beveridge]** Joanna, as you said at the beginning, the result is historic, is a huge moment. What kind of political impact do you think it'll have on politics in Berlin, housing politics in Germany, and perhaps internationally?

**[Joanna Kusiak]** We can already observe the referendum has enormous impact on all scales of politics. And just to reflect a little bit on how all the scales are present in the campaign. What we see, basically, is we're seeing a very local based, grassroots campaign that is using the frameworks of national legal system in order to confront global financial players. Because if you look who the shareholders are of this corporation, we can see the usual players of global capitalism, BlackRock, Blackstone.

So already here you see how all the geographical scales are being played and from there also you see the political implications that are on geographic scales. I mean on Berlin scale is of course the most obvious, whatever happens, I think it is fair to say there's no political permission for speculating with housing in Berlin and these million votes prove it and I think it would be enormously difficult for a politician of any option to really increase in house speculation of housing or allow for more speculation of housing anymore. Of course, this has been very inspiring within whole Germany, and we were observing this during campaign. We had groups of people, for example, during the collecting of signatures, which was objectively difficult because it was COVID, it was lockdown, it was bad weather, and nonetheless we had groups of people from different cities, from Frankfurt and other cities, that just came to Berlin for the weekend only to help us collecting signatures. And this discovery or



rediscovery of Article 15, of this political clause that allows socialization, and that was always there since 1949. But we as a campaign brought it back to the public attention and showed that it is possible actually to socialize, in our case housing, has been very expiring beyond the housing movement itself.

For example, just today I saw on Twitter, there is a launch of the campaign Socialize Energy. So, the campaign that wants to use a socialization clause to socialize energy networks. We definitely got a lot of interest from the ecological movement because Article 15 also allow socialization of natural resources, and I personally would not be surprised if we would see ecological movements trying to use Article 15 for some claims. In some sense, the political result of the campaign is also bringing back to public attention the importance and the possibility of public ownership of resources that are crucial for human rights and for public good, be it housing, be it energy, like things that are of strategic importance, which is precisely what was the original aim of this constitutional clause in 1949. To give the democratic state a tool to have control of the most important assets that are crucial for the well-being of the society.

And on the global scale, as I am one of the spokesperson of the campaign, the last week, and we're talking a week after the election results, I spent the whole week speaking to journalists from everywhere, New York, Hong Kong, Tokyo, Eastern Europe, everywhere. Because I think we managed to expand the imagination precisely to show it is possible for a grassroots movement to confront themselves with the full weight of corporate power, because that's what we were doing. And even if the particular legal solution that we propose is naturally very specific to the German legal system, it does matter to show it's possible because it might inspire new legislation, new types of solution in different countries.

But also, I would claim it is important that it happens in Germany and not, for example, in Eastern Europe or Brazil or whatever, because this confrontation that till now has been extremely successful happens in one of the centres of global capitalism, that Germany is. I mean, it's the fourth biggest economy in the world. It's the effectively biggest power of the European Union. So, if this is possible here, if this works here, that sets enormous precedence for the rest of the world.

**[Ross Beveridge]** Andrej, would you like to add something?

**[Andrej Holm]** Yeah. Also, general speaking, I guess that this referendum and the success of the campaign is a really big sign of hope. And it could be the first time that in a major metropolis, that the failures of neoliberalism might be rolled back. This gives hope, also in many other cities. I'm not the spokesperson of the campaign, but I also received a lot of emails and questions from colleagues and friends and comrades of many other cities, and they are interested.

What has happened in Berlin and could this work also in our city? The second dimension for me is that it's not only a good political instrument to roll back the neoliberalism, but it is an instrument promoted by big grassroots mobilization. Also, in terms of all the discussions about municipalism, and give back the cities to the citizens. This campaign is quite hopeful in really general terms. We know, or we hear since many years this [unintelligible] argument, so there is no alternative. And the referendum on the expropriation of big housing companies show that there are many and realistic alternatives.

It means it's [unintelligible] All in all, I would say that this referendum and the call to socialize big housing stocks from international and financial cooperations, this will be a kind of signal that also in other cities and other countries many tenant organizations, grassroots organizations will think about new alternatives which will work in their context, of course. I'm really sure that this proposal for



socialization works quite well in Berlin. But the way to find radical but also realistic strategies and alternatives to neoliberal housing and urban policies. this will be happening in many other cities and it will be an inspiration for many tenant and urban movements around the world.

**[Markus Kip]** It's been really great talking to you about this very exciting movement and the election. So, thank you very much, Andrej and Joanna.

**[Outro]** *Thanks to you for listening. For more information visit our website [urbanpolitical.podigee.io](http://urbanpolitical.podigee.io). Please subscribe and follow us on Twitter.*